United Nations A/60/846/Add.5

General Assembly

Distr.: General
14 June 2006

Original: English

Sixtieth session
Agenda items 46, 118, 120, 122, 124, 128, 129 and 136

Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

United Nations reform: measures and proposals

Follow-up to the outcome of the Millennium Summit

Review of the efficiency of the administrative and financial functioning of the United Nations

Programme budget for the biennium 2006-2007

Scale of assessment for the apportionment of the expenses of the United Nations

Human resources management

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Investing in the United Nations: for a stronger Organization worldwide: detailed report

Report of the Secretary-General

Addendum

Procurement reform

Summary

The present report is submitted to the General Assembly pursuant to the report of the Secretary-General (A/60/692) and Assembly resolution 60/260.

Over the previous two years, the value of procurement has significantly increased from $1,010 million to $1,774 million as a direct result of the unprecedented surge in peacekeeping operations. While the procurement support

06-38758 (E) 200606

challenges were met, that has posed severe pressure and challenges to the procurement process, in particular on the staff of the Procurement Service as well as procurement staff in the peacekeeping missions.

In the summer of 2005, an outside consultant was engaged to review internal controls of the procurement operations at United Nations Headquarters following the emergence of problems related to the integrity of some of the procurement operations.

The Secretary-General is presenting strategic procurement reform actions which focus primarily on (a) the strengthening of internal control measures; (b) optimization in the United Nations acquisition management resulting in a reduction of acquisition costs; and (c) strategic management of United Nations procurement. Initiatives being taken by the Secretariat are described under the respective strategic focuses that the Organization will pursue in the next 18 months subject to the availability of resources.

After having reviewed the findings and recommendations of the report on the internal control in procurement and the Office of Internal Oversight Services audit of field procurement, the Secretariat has taken swift action to implement recommendations made to further strengthen internal controls over the procurement process and remains committed to ensuring that the initiatives discussed in the present report are implemented as a matter of priority, augmenting further internal controls over the procurement function.

However, it should be recognized that with the current and anticipated workload, present resources allocated are not sufficient to effectively meet the medium- to long-term requirements of the Organization. The injection of additional resources will ultimately lead to a goal of regaining trust; improving efficiency and cost-effectiveness of the United Nations procurement system with a strengthened internal control mechanism.

Since the report has been formulated with a focus on strategic actions being taken, it includes a list of previous resolutions for ease of reference and to facilitate the review by the General Assembly of action taken vis-à-vis the relevant resolutions adopted by the Assembly (see list following para. 99).

Actions to be taken by the General Assembly are presented in section IV of the present report.

Contents

		Paragraphs	Page
I.	Background	1–6	6
II.	Main themes for procurement reform action	7–94	7
A.	Strengthening of internal control measures	9–52	12
1.	Ethics and integrity	10–17	12
(a)	Promotion of ethics in the workplace	10–11	12
(b)	Whistle-blower protection policy	12–13	13
(c)	Training in ethics	14	13
(d)	United Nations Supplier Code of Conduct	15–16	13
(e)	Independent Bid Protest System	17	13
2.	Management and staff	18–24	14
(a)	Procurement staff mobility and rotation	18	14
(b)	Training	19–24	14
3.	Procurement processes	25–37	16
(a)	Updating of the Procurement Manual	25	16
(b)	Revised terms and conditions for tenders	26–27	16
(c)	Strengthening the Vendor Review Committee	28–29	17
(d)	Strengthening the vendor roster	30–32	17
(e)	Review of the procurement rules and procedures applicable to the field	33–36	18
(f)	Ex-post facto cases	37	19
4.	Governance	38–48	19
(a)	Risk management	38–41	19
(b)	Contract compliance	42–43	20
(c)	Improvement in the procurement action review and approval process	44	20
(d)	Governance structure of procurement and delegation of procurement authority	45–46	20
(e)	Oversight of field procurement activities	47–48	21
5.	Information systems	49–52	21
B.	Optimization of acquisition and procurement management	53–72	22
1.	Efficient acquisition planning and coordination	54–58	22
2.	Partnership on procurement activities with other organizations within the United Nations system	59–64	23

	3. Best value for money principle		65–66	25
	4. E-procurement and use of purchasing cards		67–69	26
	5. Contract management		70–71	26
	6. Reduction of time line for invoice payment		72	27
	C. Strategic management of United Nations procurement		73–82	27
	1. Career development programme		73–75	27
	2. Procurement from developing countries and countries with economies in transition		76–82	27
	D. Financial implications		83	30
	1. Procurement Reform Implementation Team		84–85	30
	2. Strengthening human resources for procurement		86–94	30
III.	General Assembly resolutions on procurement		95–96	34
IV.	Conclusion and recommendations		97–98	34
Annexes				
I.	Procurement statistics, 2001-2005			41
II.	Country procurement value by Procurement Service, local peacekeeping missions, and offices away from Headquarters, 2004			48
III.	Country procurement value by Procurement Service, local peacekeeping missions, and offices away from Headquarters, 2005			52
IV.	Procurement Service organizational chart			56

Abbreviations

ERP	Enterprise Resource Planning
HCC	Headquarters Committee on Contracts
IAPSO	Inter-Agency Procurement Services Office
IAPWG	Inter-Agency Procurement Working Group
IMIS	Integrated Management Information System
IT	Information Technology
LCC	Local Committee on Contracts
PCMS	Planning, Compliance and Monitoring Section, Procurement Service (proposed)
PRIT	Procurement Reform Implementation Team
SMART	Senior Mission Administration and Resources Training Programme
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNGM	United Nations Global Marketplace
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
VRC	Vendor Review Committee
WFP	World Food Programme
WHO	World Health Organization

I. Background

1. At the fifty-ninth session of the General Assembly, the Secretary-General submitted his report on procurement reform (A/59/216) pursuant to General Assembly resolution 57/279. The report described major developments and actions taken by the Secretary-General upon adoption of the resolution at the fifty-seventh session with the objective of increasing transparency, fairness and responsiveness in the procurement process, thereby encouraging greater participation by vendors from developing countries and countries with economies in transition and increasing the cost-effectiveness and efficiency of the United Nations. The General Assembly welcomed the progress achieved in addressing the concerns expressed in its resolution 57/279 and the significant improvements made by the Secretary-General in procurement reform at Headquarters and in the field missions and adopted its resolution 59/288.

2. Over the last two years, the value of procurement at Headquarters and the peacekeeping missions has significantly increased from $1,010 million to $1,774 million as a direct result of the unprecedented surge in peacekeeping. In addition, over the last five years there has been a significant shift in the complexity of procurement undertaken by the Procurement Service, especially relating to field procurement in support of peacekeeping operations. Current peacekeeping logistics requires sophisticated supply chains based on detailed negotiated terms and conditions of contracts that ensure well-balanced risk allocation. Compared to previous years when a large proportion of procurement transactions were for generic needs for goods and services requiring little or no negotiations with suppliers, current acquisitions are complex, long-term and, in many instances, involve turnkey support. Accordingly, financial evaluations have become more sophisticated and complex. The same applies to legal terms and conditions of contracts. The fact that the Procurement Service has opened most of its major contracts to other United Nations organizations has also put additional requirements on the quality of United Nations procurement — in many instances such issues as global certifications, most advantageous use of INCOTERMS,[1] knowledge of global capabilities of United Nations contractors have become crucial to successful implementation of contracts within the United Nations family. Examples include software licensing, civil engineering and logistics-related contracts.

3. The Organization experienced unexpected challenges in 2005 in the midst of an unprecedented surge in peacekeeping operations that has expanded the scope of operational requirements, with a concomitant increase in the level of expenditures associated with procurement activities. The increase has not been matched by an appropriate increase in human resources. In the summer of 2005, an outside consultant was engaged to review internal controls of the procurement operations of the United Nations. The report revealed several procurement process and system control deficiencies resulting in overreliance on human resources thereby making the Organization vulnerable.

4. During 2005, the Office of Internal Oversight Services was also given the task by the General Assembly of reviewing various cross-cutting issues on peacekeeping operations, including procurement. The resulting OIOS report contained several

[1] INCOTERMS provide a set of international rules for the interpretation of trade terms commonly used in foreign trade defining the obligations of sellers and buyers.

substantive observations on a number of procurement cases conducted at Headquarters and peacekeeping operations.

5. As a consequence, OIOS investigations were expanded by the establishment of a dedicated team of investigators within OIOS to examine procurement-related cases. The task force will cooperate as necessary with the investigation initiated by the law enforcement agencies of Member States.

6. The Secretary-General, in his report "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692), in proposals 13, 14 and 15 identified a series of actions being undertaken for procurement reform in the Organization. The General Assembly, in its resolution 60/260, section V, requested the Secretary-General to submit a detailed report related to proposals 14 and 15. In response, the present report presents a detailed and comprehensive plan of action to address the challenges identified. The Secretariat intends to complete action, depending on additional resource allocations, within 18 months.

II. Main themes for procurement reform action

7. The Secretary-General is taking concrete measures on procurement reform, which focuses on: (a) strengthening of internal control measures; (b) optimizing United Nations acquisition and procurement management resulting in a reduction of acquisition costs; and (c) strategic management of United Nations procurement.

8. Having reviewed the findings and recommendations of the report on the internal control in procurement and the OIOS audit on field procurement, the Secretariat has identified a number of recommendations to be implemented. The recommendations are summarized in table 1, which provides a matrix of recommendations sorted in the above three main themes of procurement reform actions. Major steps have already been taken to further enhance internal control processes and mechanisms, to optimize acquisition and procurement management and to manage United Nations procurement more strategically. In addition, a number of recommendations are under active consideration and will be implemented, depending on the availability of additional resources.

Table 1
Action on recommendations

Strengthening of internal control measures

Ethics and integrity		
Action item	*Time frame*	*Status*
Develop and implement an ethics and integrity programme for the Procurement Service	Immediate	• All Procurement Service staff have attended a special procurement ethics training course • In addition to the above, all Procurement Service staff have attended mandatory ethics training established for Department of Management staff • Establishment of the Ethics Office and release of the "whistle-blower" protection policy further strengthen and augment this recommendation • Financial disclosure is required of all staff involved in procurement activities • Ethics guidelines for procurement staff are under final internal review and are planned to be issued in 2006 • Resources have been requested for establishment of a Planning, Compliance and Monitoring Section (PCMS) to lead, among other responsibilities, the ethics and integrity programme for the Procurement Service • In the meantime, a few staff are temporarily undertaking this responsibility on a part-time basis
Management and staff		
Action item	*Time frame*	*Status*
Significant reinforcement of the Procurement Service's resources	Immediate	• In addition to the resources requested earlier under the support account for peacekeeping operations (A/60/727), further resources are now being proposed in the context of the present report
Develop and implement a communications programme for the Procurement Service	Immediate	• Communications are regularly sent to all staff and various offices on various procurement issues • Established a weekly management meeting with Procurement Service section chiefs for communication of management issues; periodic meetings are held with all procurement staff

strengthening of internal control measures

Review current appointments of chief/director of administration and section chief with fiduciary responsibilities	Immediate	• Appointments for senior staff involved in procurement are being reviewed and action is being taken in accordance with the established procedures for new appointments
Ensure proper care and attention to the selection and employment of staff in missions for posts with significant fiduciary responsibilities	Immediate	• Action is being taken for selection of field procurement staff through the technical clearance process in place whereby these are reviewed by the Procurement Service

Procurement processes

Action item	*Time frame*	*Status*
Update the United Nations Procurement Manual	Immediate	• A new amendment to the Procurement Manual released in June 2006 • As a "living document" the Manual will continue to be regularly amended to reflect "best practices" in public sector procurement
Manage conflict of interest risks requesting prospective vendors to disclose recruitment of former United Nations staff	Immediate	• Revised terms and conditions for tender documents in effect to address the issue have been put in place
Strengthen the invoice payment approval functions	Immediate	• An ongoing management effort to ensure compliance with the established procedures in invoice processing is in place • Transfer Department of Peacekeeping Operations missions invoice-processing functions from procurement units to finance units to ensure proper segregation of duties in peacekeeping missions, under way, to be completed by year end
Strengthen the procedure for obtaining and maintaining performance bonds through an exhaustive inventory taking and follow up with vendors when bonds are not provided in compliance with contracts	Immediate	• An ongoing management effort to follow up with vendors for compliance with contractual requirements • Inventory taking completed and database updated prior to transfer of the functions to maintain performance bonds to the Treasury • Responsibility for maintenance of performance bonds has been transferred to the Treasury
Implement an Online Procurement Manual and Content Management System	Moderate term (6-9 months)	• To be implemented by the Procurement Reform Implementation Team (PRIT)

Strengthening of internal control measures

Governance		
Action item	*Time frame*	*Status*
Monitor cumulative awards to each vendor and develop a vendor risk profile	Immediate to near term (3-6 months)	• A reporting system is already available to monitor cumulative awards • In the future to be managed by a Planning, Compliance and Monitoring Section • In the meantime, a risk-profile review for various new contracts is being undertaken
Proactively track and act upon critical assessment and audit findings	Moderate term (6-9 months)	• An ongoing management initiative with further emphasis being placed on complying within agreed time frames to all audit findings
Establish effective management reporting processes	Immediate	• Diagnostic tools have been developed to identify potential anomalies in financial transactions and review enhancement of current reporting system • Further enhancement to be implemented in conjunction with the introduction of ERP system
Identify and prioritize existing systems improvements opportunities	Near term (3-6 months)	• To be implemented as part of the PRIT agenda in consultation with other stakeholders
Restructure the Headquarters Committee on Contracts	Moderate term (6-9 months)	• The Secretariat of the HCC is no longer under the control of the Chief Procurement Officer and is now attached to the Office of the Under-Secretary-General for Management • Resources have been requested under the support account for peacekeeping operations (A/60/727) to strengthen its capacity • A review of HCC procedures has been undertaken
Conduct organizational assessment of the Procurement Service	Moderate to long term (6-18 months)	• Initial assessment for organizational changes has been completed and resources have been requested for establishment of additional posts in a revised organizational structure of Procurement Service • A joint working group of the Department of Management and the Department of Peacekeeping Operations will review the establishment of clear and effective lines of authority, responsibility and accountability between Headquarters and field offices for procurement • To be implemented by the PRIT

Strengthening of internal control measures

Information systems

Action item	*Time frame*	*Status*
Document procurement system functional requirements	Moderate term (6-9 months)	• Work has begun on identifying main requirements for updating the present field procurement system to take Headquarters requirements into consideration • Other options including use of ERP and open source software are to be reviewed by defining and validating procurement and financial system requirements • To be implemented by the PRIT in consultation with the Information Technology Services Division and Department of Peacekeeping Operations
Participate in ERP system selection and implementation	Moderate to long term (6 months-3 years)	• This is being undertaken as part of the Secretary-General's reform proposal

Optimizing United Nations acquisition and procurement management

Efficient acquisition planning and coordination

Action item	*Time frame*	*Status*
Prepare adequate plans with formal inputs from peacekeeping missions based on actual needs	Immediate	• An ongoing management effort to ensure proper acquisition planning has been intensified to ensure coordinated procurement actions
Perform strategic planning	Moderate to long term (6-12 months)	• Action is being taken for improved acquisition planning, consolidation of requirements and use of longer-term contractual arrangements, including collaboration with other United Nations organizations under the lead agency concept, which will result in overall cost avoidance for the acquisition of goods and services for the United Nations system as a whole

Contract management

Action item	*Time frame*	*Status*
Review adequacy of procedures for handling disputes with vendors	Near term (3-6 months)	• To be implemented by the PRIT in consultation with the Department of Peacekeeping Operations and the Office of Legal Affairs • Monitoring of adequacy of procedures to be taken over by PCMS once established
Establish a mechanism to coordinate operational action in dealing with claims	Near term (3-6 months)	• To be implemented by the PRIT in consultation with the Department of Peacekeeping Operations and the Office of Legal Affairs

	Career Development Programme		
	Action item	*Time frame*	*Status*
Strategic management of United Nations procurement	Develop competency models for the Procurement Service	Near term (3-6 months)	• Work has commenced. PRIT will complete this with assistance from the Office of Human Resources Management
	Revising hiring standards and processes for the procurement staff	Near term (3-6 months)	• Work has commenced. PRIT will complete this with assistance from the Office of Human Resources Management
	Update the performance management process in the Procurement Service	Moderate term (6-9 months)	• Review of new policies and rules of management of procurement staff is being initiated in consultation with the Office of Human Resources Management • Additional changes to performance management will be part of the PRIT agenda

A. Strengthening of internal control measures

9. The action taken by the Secretariat to strengthen the internal controls in procurement has been clustered according to five critical areas: (i) ethics and integrity; (ii) management and staff; (iii) procurement processes; (iv) governance; and (v) information systems, and described in the following paragraphs of the present report.

1. Ethics and integrity

(a) Promotion of ethics in the workplace

10. In support of the Organization's goal of promoting integrity, transparency and ethics in the workplace, the Organization has established an Ethics Office to serve as a focal point in communicating and updating existing standards of conduct, providing ethics advice and confidential advice on conflicts of interest, developing ethics training modules in cooperation with the Office of Human Resources Management, administering the financial disclosure programme and protecting staff against retaliation for reporting misconduct. The Ethics Office is expected to play a key advisory role in promoting ethics in procurement and will also be involved in reviewing vendor performance as it relates to ethical issues.

11. The Secretary-General has promulgated his bulletin ST/SGB/2006/6 for financial disclosure and declaration of interest statements whereby all staff members who are procurement officers or whose principal occupational duties involve the procurement of goods and services are required to file a financial disclosure statement. The requirement also encompasses other staff members with direct access to confidential procurement information. In addition, the Secretary-General has decided to promulgate another bulletin, to be issued later in 2006, on the rules governing the conduct of staff engaged in acquisition activities, which will require those staff members to file a declaration of ethical responsibilities. Those

instruments will serve as the prerequisite for appointment of staff members involved in the acquisition of goods and services for the Organization given the fiduciary responsibilities entrusted to them.

(b) Whistle-blower protection policy

12. The Secretary-General has promulgated his bulletin ST/SGB/2005/21 with the objective of enhancing protection for individuals who report misconduct or cooperate with duly authorized audits and investigations so that the Organization can ensure it functions in an open, transparent and fair manner. The whistle-blower protection policy provides further safeguards for ethical behaviour of staff members.

13. The establishment of an Ethics Office and promulgation of a whistle-blower protection policy are major steps by the Organization in securing the highest standards of integrity required in international civil servants, particularly in procurement. Those measures together with the promulgation of a Supplier Code of Conduct and an independent bid protest system (discussed below) will address paragraph 12 of General Assembly resolution 59/288 on the ethical guideline issues.

(c) Training in ethics

14. Ethics and integrity training have become an integral and regular part of training programmes of the Organization. Continuing and improving the training of staff in procurement processes together with ethics and integrity is a priority. The Procurement Service conducted an in-house training programme for ethics in procurement in 2005 with the assistance of staff from UNICEF. It is currently working with the Office of Human Resources Management to develop ethics training specifically designed for procurement staff.

(d) United Nations Supplier Code of Conduct

15. The Procurement Service has finalized the Supplier Code of Conduct and has also developed an implementation guide, a remediation guide and self-assessment tools for suppliers. Effective implementation of the Supplier Code of Conduct is critical to achieving the goal of safeguarding the integrity of the United Nations in procurement activities. It is essential that United Nations staff and suppliers be fully informed about the content and application of the Supplier Code of Conduct, which has recently been promulgated and posted on the website. That will help develop an outreach programme to provide tools to assist United Nations staff and suppliers to clearly understand expectations.

16. The Procurement Service has been promoting the Global Compact through its website and tender documents. Promulgation of the Supplier Code of Conduct will further support the Organization's effort to promote the voluntary principles of corporate social responsibility initiative, as noted by the General Assembly in its resolution 59/288, paragraph 15.

(e) Independent Bid Protest System

17. In order to further enhance transparency in the procurement decision-making process, the Secretary-General will establish an independent Bid Protest System by September 2006 to furnish vendors participating in tenders of the Organization with a means to request review of a procurement-related decision. The Bid Protest

System will work outside the reporting hierarchy of the Procurement Service, thereby improving independence and transparency in reviewing bid protests. The independent Bid Protest System will include a review committee of representatives from various offices within the Secretariat, including the Ethics Office. The review committee will be given unfettered access to relevant procurement information and directly report its findings and recommendations on bid protests to the senior management to be led by the Office of the Legal Counsel for a final decision. The Procurement Service is seeking the guidance of the Office of Legal Affairs to develop detailed procedures. Detailed procedures regarding the Bid Protest System will be posted on the Procurement Service website for vendors.

2. Management and staff

(a) Procurement staff mobility and rotation

18. The United Nations recognizes that staff members are its greatest asset. In line with that philosophy, the development of a career path programme for procurement staff will enable staff serving in the field, as well as within the Procurement Service, to be available for job rotation between Headquarters and the field. In that respect, the Procurement Service has already started a lateral reassignment programme within the Service to ensure that staff do not deal with same vendors for an extended period of time. That reform, an integral part of the Organization's overall mobility policy, will also facilitate mobility among organizations of the United Nations system.

(b) Training

19. As requested by the General Assembly in a series of resolutions, including resolution 59/288, paragraph 14, training of staff is a priority for the Organization. In keeping with the Secretary-General's commitment that career development should be fostered through targeted training, mandatory requirements for advancement and diverse career paths, the Organization is stepping up its investment in training of staff performing acquisition-related functions, both at Headquarters and the field. The Secretariat has a procurement and contract administration module of the United Nations Administration Training Programme administered by Office of Human Resources Management in collaboration with the Procurement Service. The programme is designed for staff in general and while entry-level procurement staff benefit from it, the Procurement Service requires a more comprehensive training programme to support professional growth.

20. Accordingly, Procurement Service has developed its own field training programme after having taken over responsibility for procurement training for staff in peacekeeping missions and has trained over 400 officers and assistants in 2004 and 2005. The Procurement Service has been working with the Inter-Agency Procurement Working Group (IAPWG) to develop a common procurement certification programme to achieve a more long-term solution. While the certification programme was initiated with a view to the United Nations having its own internal certification programme, it has been recognized that administration of a United Nations-specific system-wide certification programme centrally for staff serving worldwide would be quite cumbersome and costly. While IAPWG will continue to review the feasibility of providing a system-wide procurement certification programme, staff should be provided with opportunities and

encouraged to use external certification programmes available from procurement training institutes in various regions.

21. During the second half of 2005, the training of staff from 24 organizations was organized to develop in-house trainers. Approximately 50 trainers are ready to train within the system. Training materials will be developed upon completion of the editorial review of the Procurement Practitioners' Handbook in June 2006. The Secretariat has been working on developing a model procurement training programme.

Table 2
Model procurement training programme

	Office of Human Resources Management United Nations administration training	*Basic procurement training*	*Advanced training*	*Ethics and integrity fraud awareness internal control*
Year 1	Procurement and contract administration module	United Nations common procurement training programme	• Evaluation of financial statements • Supplier management • Contract negotiation • Contract laws	Continuous training throughout the career
Year 2	Continued for new staff members and periodic re-training		• Specialized training (construction, IT, software licensing, consultancy service, transportation, etc.) • Risk management • Strategic sourcing	
Year 3 onwards		Continued for new staff and periodic re-training		

In pursuing the model procurement training programme, the Secretariat aims at training approximately 400 procurement staff members across the Secretariat and, therefore, requires additional resources of $800,000 per year to allow each staff member to attend a minimum of two training sessions on an annual basis. In order to broaden the training opportunities for procurement staff, the Organization intends to utilize the training programmes available within the United Nations system. The additional resources of $800,000 will cover the cost of travel of staff of the Procurement Service ($150,000) to the field to conduct the training, consultancy for the delivery of training for 400 procurement staff ($640,000) and $10,000 for the cost of training materials and suppliers.

22. Successful implementation of a procurement training programme across the Secretariat requires recognition of the need for staff development to be provided in a consistent and equitable manner. In that respect, the Organization plans to provide

opportunities for the external certification programme with other organizations within the United Nations system referred to above. The Secretariat will evaluate and monitor the impact of training programmes through the experience accumulated and report to the General Assembly once sufficient data has been collected and evaluated as a result of the new initiatives taken.

23. Furthermore, the Secretariat is developing curricula for all other occupational groups involved in the acquisition process. The training courses will place strong emphasis on accountability in exercising fiduciary responsibilities and resource management. They will also have clear linkages to the Organization's core values and competencies to assist in ensuring ethics and accountability. Depending on financial resources available to support the training programme, all procurement staff will be required to attend a minimum of two training sessions per year, either internally within the Secretariat or externally as a part of objectives in the office workplans for the performance appraisal system.

24. The Department of Peacekeeping Operations is developing a Senior Mission Administration and Resource Training Programme (SMART) which will foster leadership skills and nurture career development through a systematic progression of training modules that will include mandatory requirements for advancement to successive levels. The goal of the programme is to train and qualify senior mission support staff in administrative support functions. The SMART programme will have a specific module on resource management relating to provision and management of goods and services to ensure an enhanced level of competence regarding the United Nations supply chain practices by senior staff assigned to peacekeeping missions.

3. Procurement processes

(a) Updating of the Procurement Manual

25. The current Procurement Manual was updated in January 2004 following a major review of procurement procedures that had developed since the previous edition in 1998. The Procurement Service released a new update to the Procurement Manual in June 2006 by incorporating various new guidelines. As a medium-term project, the Organization is also reviewing technical requirements to develop the online version of the Procurement Manual with search functions so that users will have access to the topics and issues more effectively. The Procurement Manual will be updated regularly to embody the Organization's latest procurement policies and procedures.

(b) Revised terms and conditions for tenders

26. The Secretariat has also promulgated revised terms and conditions for tender documents to reinforce the Organization's position against collusive bidding, anti-competitive conduct, attempts to gain improper assistance, improper use of former United Nations employees, and various corrupt or questionable practices. Under the revised terms and conditions, which have been in use since January 2006, vendors are required to declare and disclose conflict of interest situations.

27. In addition to adopting revised terms and conditions for tender documents, the Organization is also revising the General Conditions of Contracts. Following inclusion of a clause to prohibit sexual exploitation and abuse in June 2005, the Procurement Service will shortly incorporate the anti-bribery and anti-corruption

principles contained in the Supplier Code of Conduct into the General Conditions of Contracts to ensure their enforceability.

(c) Strengthening the Vendor Review Committee

28. In paragraph 17 of its resolution 59/288, the General Assembly requested the Secretary-General to continue to ensure that consistent non-compliance and poor performance by vendors is recorded and that appropriate action is taken with respect to their inclusion in the list of vendors. In compliance with the resolution, a review of vendor performance issues has been conducted by the Vendor Review Committee (VRC) on a regular and frequent basis. Since October 2005, a number of vendor performance issues have been brought to the attention of the VRC and, following the VRC review, the Organization suspended several vendors from doing business with the United Nations for various reasons.

29. The Organization has decided to further strengthen and enhance the capacity of the vendor review function. Whenever the VRC deals with vendors that are believed to have engaged in criminal activities, fraud, corrupt practices, abusive, unethical or unprofessional conduct, the composition of the VRC will include representatives from various offices within the Secretariat, including the Ethics Office, in order to increase its transparency. In the current VRC, the Chief of Procurement Service will serve as the Chairperson and will make recommendations to the Assistant Secretary-General vested with the procurement authority to make a final decision.

(d) Strengthening the vendor roster

30. In evaluating vendors, the Procurement Service at Headquarters has historically utilized its own criteria to determine eligibility of applicants. In its evaluation of applications, it has considered the relevance of products and services offered, financial viability, corporate history, quality certification and business references as criteria to determine the eligibility of applicants. Among those criteria, the most challenging and controversial issue is financial viability. In the current fluid business environment, a snapshot of financial statement does not necessarily provide the Organization with reliable data to determine the financial viability of a company. It is also difficult to evaluate the financial information compiled based on various accounting standards and practices applicable to countries where respective applicants operate. For that reason, the Procurement Service is currently in the process of revising criteria for evaluation of the financials of applicants and, at the same time, to augment its analytical capacity. To that end, the Procurement Service earlier sought financial resources under the support account for peacekeeping operations (A/60/727).

31. Another important task is to improve the roster of qualified suppliers at the peacekeeping missions. In that respect, the Procurement Service has initiated a programme to share its suppliers with peacekeeping missions and to regularly update vendor information so that missions have reliable supply sources. In the case of the peacekeeping missions, it is unrealistic to expect local suppliers to compile financial statements as many missions operate in countries still in the process of recovery from conflict. In such instances, the Organization accommodates local suppliers with less stringent registration criteria and provides them with business opportunities so that the Organization can also promote one of its goals — to contribute to sustainable development by supporting the private sector within the

country that is in the process of recovering from conflict. That issue was discussed at length at the recent seminar of Chiefs of Procurement held at Headquarters. The recommendations to formalize and standardize the practices outlined above are being finalized and will become part of the amendments to the Procurement Manual.

32. As requested in paragraph 7 of General Assembly resolution 59/288, the Organization is also streamlining the vendor registration process through the United Nations Global Marketplace (UNGM) in consultation with the Inter-Agency Procurement Working Group (IAPWG) members. In order to improve efficiency in evaluation of applications for vendor registration, it is the task of the Sub-Working Group of IAPWG on vendor management to review the process of pre-qualification and the mechanism to share evaluation work among participating organizations on the basis of the lead agency concept. At the recent IAPWG meeting in Brazil in June 2006, IAPWG discussed vendor management and UNGM. The discussion included follow-up of decisions made at the 2005 meeting, and it confirmed that all United Nations system organizations are committed to using UNGM as their sole portal, as requested in paragraph 5 of resolution 59/288.

(e) Review of procurement rules and procedures applicable to the field

33. The Financial Regulations and Rules are sufficiently broad to be responsive to routine procurement support requirements in United Nations offices. Within the specific context of the start-up or rapid and large-scale expansion of a peacekeeping mission, however, the existing policies and procedures impede fast and flexible procurement. New and rapidly evolving requirements to be met in very short time frames are commonplace in dynamic peacekeeping operations. Failure to procure in a timely manner adversely impacts the Organization's ability to implement its mandates, while often resulting in a significant overall increase in cost since delays can necessitate significant additional operational expenses to sustain a mission in the interim.

34. The exigency provision in financial rule 105.16 focuses only on the waiver of formal methods of solicitation. An abridged and thus accelerated solicitation and approval process is essential to permit a fast procurement response to immediate operational requirements. To address that matter, specific provisions will be included in the updated Procurement Manual which establishes the procedural framework necessary to satisfy immediate operational requirements in a timely manner. That will allow the Secretary-General to implement clearly delineated procurement procedures and processes that are in the "interest of the United Nations" in accordance with financial regulation 5.12 (d).

35. In addition to establishing special procedures to support immediate operational requirements for the peacekeeping missions, the Organization intends to adopt practices applicable to a specific market segment and realign the current procurement process to industry practices, for example, in the areas of ship chartering, civil engineering, construction and commercial leases. In that respect, the Organization will require additional resources of $200,000 to engage industry experts to review business practices and procurement models in various industries.

36. Under the current delegation of authority, procurement of requirements above established thresholds to the peacekeeping missions requires approval of the Procurement Service to proceed with local procurement action. Once the peacekeeping missions have completed tender exercises, award proposals are

subject to review of award proposals by the Local Committee on Contracts and subsequently review by the Headquarters Committee on Contracts (HCC). The review of the current delegation of authority is under way to avoid duplication of work and streamline the local approval procedures with a view to optimizing use of local procurement authority and further clarifying the role of the HCC.

(f) Ex-post facto cases

37. The recent surge of peacekeeping operations has led to an increase in the number of ex-post facto cases owing to the reasons outlined in paragraphs 33 and 34 above. In September 2005, a directive was issued stating that all ex-post facto cases must be prepared and reviewed by the head of offices providing detailed explanation of reasons for a belated submission. That new policy and the ongoing changes to streamline procurement procedures for the field provides sufficient safeguards to minimize ex-post facto cases as requested by the General Assembly in paragraph 19 of its resolution 59/288.

4. Governance

(a) Risk management

38. A number of internal control improvements introduced have been described in the preceding paragraphs and current risk management in procurement includes risk assessment of major contracts. Additionally, the Organization has developed diagnostic tools to identify potential anomalies in financial transactions utilizing data available in procurement databases.

39. Numerous measures have been introduced to further strengthen internal controls over daily activities. Procedures have been tightened for meetings with vendors. In line with best public sector procurement practices, a perforating machine has been introduced to authenticate the original tender documents received with perforation, which virtually eliminates the risk of replacement of documents. Security enhancements to the tender room in the Procurement Service are under way, having installed closed-circuit television and, as an additional layer of security enhancement a biometric card key lock system is being introduced.

40. As part of its risk management strategy, the Organization is also taking a number of actions to mitigate risks by diversifying procurement within the United Nations system to utilize the expertise possessed by other organizations as described below.

41. In the context of field operations, the Department of Peacekeeping Operations must balance the requirement to support the implementation of Security Council mandates with the need to fulfil all procedural procurement requirements, recognizing that failure to deliver timely support may impact on mandate implementation. In response, the Department has expanded its risk-mitigating strategies and particular attention is being placed on managing the risks during the start-up and major expansion of peacekeeping operations. Specifically, it has taken steps to improve coordination and oversight during the planning process such as establishment of the Requirement Review Panel referred to in paragraph 58, whose task it is to confirm, inter alia, the validity of key planning factors and assumptions in the early stage of mission planning.

(b) Contract compliance

42. Subject to availability of additional resources, the Procurement Service will institute a formal review of vendor performance issues to be conducted at least on a six-monthly basis for all major peacekeeping contracts. The Department of Peacekeeping Operations is directing field missions to initiate a corresponding review process for major contracts put in place locally. Those measures will foster a systematic identification and resolution of contracting issues to ensure the early detection of shortcomings in contractual agreements, potential disputes and significant changes in requirements. They will also facilitate the establishment of a unified position on contracts interpretation and the development of agreed-upon plans of action to address contracting issues.

43. In June 2005 the Department of Peacekeeping Operations established a Contracts Compliance and Management Unit to consolidate vendor monitoring as a comprehensive management function. The Unit will enhance internal controls by developing and progressively implementing a compliance and overall framework for the management of major service contracts such as fuel, rations and airfield services. In the coming year, a key priority for the Unit will be to improve the models for monitoring and reporting contractual issues for major service contracts independent of both the procurement and requisitioning functions.

(c) Improvement in the procurement action review and approval process

44. HCC is an advisory body which reviews procurement proposals in excess of $200,000 to ensure that the appropriate processes and procedures are followed. One of the actions taken in that area, following an earlier OIOS recommendation, is to transfer the organizational reporting line of the HCC secretariat to the Office of the Under-Secretary-General for Management to eliminate any perceived conflict of interest with the previous reporting line whereby the secretariat of the HCC reported to the Office of Central Support Service, which is one of the major requisitioning offices within the Secretariat. Another initiative taken to improve the functioning of the HCC is to review the financial threshold of the proposed procurement requirements that should be vetted by the HCC with a view to allowing the HCC to devote more time to review strategically significant and complex proposals thereby realigning its workload. The review of the financial threshold will be completed by the end of September 2006. Additional resources have also been proposed to support the HCC in its review function owing to the tremendous surge in peacekeeping activities (A/60/727).

(d) Governance structure of procurement and delegation of procurement authority

45. Through the delegation of procurement authority instrument implemented in 2005, the Assistant Secretary-General for Mission Support, Department of Peacekeeping Operations, has been granted procurement authority, which has been further redelegated to Directors of Administration or Chief Administrative Officers and thereafter Chiefs of Procurement and procurement staff in peacekeeping missions. Under the delegation of authority, peacekeeping missions have been authorized to enter into contracts for core requirements, which by their nature lend themselves to local procurement, up to $1 million per contract and $200,000 for non-core requirements, thus facilitating procurement of local services.

46. Recent audit reports have highlighted the need for the Secretariat to examine the organizational structure for management of procurement. Those reports identify possible weakness in the control environment owing to the split of responsibilities between the Department of Management and the Department of Peacekeeping Operations for peacekeeping procurement. A working group is being established to examine ways in which the organizational structure could be changed to better align responsibility with authority and to improve the overall control environment for peacekeeping procurement, while still being responsive to the operational demands of field operations. The alignment of peacekeeping acquisition management responsibilities between the Department of Management and the Department of Peacekeeping Operations will take due account of best practices in public sector procurement. The result of the examination by the working group will be reported to the General Assembly at its sixty-first session in the context of General Assembly resolution 59/288, paragraph 20.

(e) Oversight of field procurement activities

47. The accountability framework at the United Nations is based on a hierarchy that flows through the Secretary-General, senior managers and middle management to all other staff. The accountability framework will be examined in connection with the governance structure and the delegation of procurement authority for peacekeeping missions.

48. In the light of paragraph 16 of the resolution 59/288, it is necessary to establish a dedicated capacity within the Department of Peacekeeping Operations to enable the Department to assume responsibility and accountability for the delegated procurement authority and exercise the newly vested oversight responsibilities on field procurement activities. The staff will be responsible for the administration of the delegation of procurement authority issued to the field missions, serve as focal point for procurement plans and monitor key procurement activities in peacekeeping operations. It will further focus on capacity-building in the field with the objective of providing the field procurement offices with the necessary support in terms of personnel, equipment, systems and training to enable them to execute the delegated procurement authority in a responsive manner. The Working Group being established as mentioned in paragraph 46 above, will also take the accountability factor into consideration in its review.

5. Information systems

49. The current procurement management system utilized by the Procurement Service at Headquarters was put in place in 1992. While the system has gone through a series of upgrades, the technical structure of the system does not provide users with flexibility to enhance the functions and as a consequence the Procurement Service had to develop ancillary systems associated with the Headquarters procurement management system for production of tender documents and various management reports. In peacekeeping missions, the Department of Peacekeeping Operations has developed the Mercury centralized procurement management information system.

50. The Department of Peacekeeping Operations missions have access to the Headquarters systems contracts through Mercury. However, data transfers occur through a batch process interface, thus hindering real-time data updates. In order to

retrieve procurement data on a real-time basis across the Organization, the Procurement Service, in collaboration with the Department, initiated the development of a Headquarters version of the Mercury system, which will enable the Organization to exchange and share data between Headquarters and the peacekeeping missions on a real-time basis.

51. The development work on the Headquarters version of the Mercury system has been placed on hold while the Organization is also looking into the replacement of the Integrated Management Information System (IMIS) with an Enterprise Resource Planning (ERP) system. The Organization is currently analysing costs and benefits of various options for the procurement system, including the use of open source software requested by the General Assembly in its resolution 60/260. The resource requirements, if any, will be presented to the General Assembly upon completion of the analysis.

52. The Procurement Service is currently upgrading its website available to the public, which will provide additional information in the areas of contract award and Purchase Orders issued in order to further enhance transparency. The first phase of improvement will be available in June 2006.

B. Optimization of acquisition and procurement management

53. The Secretariat is pursuing a number of strategic initiatives to optimize procurement performance. Those initiatives range from the development of a concept of strategic sourcing, to achieving further synergies in procurement within the United Nations system through partnering. That can potentially reduce administrative duplication and will leverage joint purchasing power to achieve better economies of scale. Specific initiatives include better acquisition planning, consolidation of requirements, expanding the use of longer-term contractual arrangements, specifically for services in collaboration with other United Nations organizations, the use of the expertise and purchasing power of other United Nations organizations as lead agencies and work sharing to eliminate duplication of work. Those are anticipated to result in overall cost avoidance for the United Nations system. The following paragraphs highlight specific actions the Secretariat has taken or is in the process of initiating.

1. Efficient acquisition planning and coordination

54. In its resolution 52/226, the General Assembly requested the Secretary-General to ensure that all departments and offices at Headquarters and the field develop annual acquisition plans in cooperation with the Procurement Service. The Procurement Service and the Department of Peacekeeping Operations have regularly emphasized the importance of acquisition planning through annual communications with departments and offices within the Secretariat and the peacekeeping missions and follow-up communications. The issue is also brought to the attention of Chiefs of Procurement from the peacekeeping missions and offices away from Headquarters at the annual conference. In addition, reporting tools have been used for monitoring contracts expenditures and terms so that procurement action can be planned well in advance; however, resource limitations have at times impeded their timely execution.

55. The Department of Peacekeeping Operations has worked with all field missions to ensure adherence to those requirements. Directives have been issued to the Chiefs of Administration of peacekeeping operations reiterating their responsibilities regarding procurement planning and the conduct of the mandated quarterly reviews. Compliance in the development of procurement plans has already improved. A process to review those plans on a quarterly basis has been introduced. It has facilitated the systematic determination of net resource requirements, as surplus equipment and supplies are identified for redistribution, while also improving the forecast of the Organization's long-term requirements of capital goods and key support services.

56. A range of steps have been taken to optimize acquisition and performance. First among them has been the large-scale implementation of global systems contracts. The Secretariat has dedicated significant resources to maintaining an ever-increasing range of contracts for commonly required capital goods and supplies for peacekeeping operations. That has brought significant economies of scale, productivity gains and reductions in operating costs through the establishment of standardized fleets of equipment and services. The global systems contracts were one of the main contributing factors for the ability of the Procurement Service to sustain the enormous procurement support requirements resulting from the recent unprecedented surge in peacekeeping. In that respect, the Secretariat continues to ensure adherence to the rules and procedures while actively increasing participation by all vendors as requested by the General Assembly in paragraph 18 of its resolution 59/288.

57. The Secretariat is currently exploring logistic support arrangements, such as the following, which have a further potential for optimization or cost avoidance:

- Rations contracting during mission start-up
- Regional or global fuel supply arrangements
- Long-term air charter arrangements
- Contingent deployment arrangements
- Freight forwarding and shipping arrangements.

58. The Secretariat has undertaken a number of other initiatives to strengthen and reform acquisition-related practices in field missions. In order to improve the requirements definition process and achieve a high-level approval of key assumptions, the Department of Peacekeeping Operations has established a Requirements Review Panel. It is headed by the Assistant Secretary-General for Mission Support in the Department of Peacekeeping Operations and includes representation from the Department of Management. The panel is tasked to examine planning assumptions for new missions and the basis for high-value, multi-year award contracts. In addition, the Assistant Secretary-General has established a Field Acquisition Management Reform Task Force to examine all field support-related acquisition matters and implement management reform proposals.

2. Partnership on procurement activities with other organizations within the United Nations system

59. As explained by the Secretary-General in his report entitled "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692, proposal 14),

the Organization has been reviewing the use of a lead agency concept to create specialist buyers for the whole system as one of the focus areas. The initiatives described below have been taken in line with paragraphs 4 and 6 of Assembly resolution 59/288 to improve the efficiency of procurement by reducing duplication and harmonizing the procurement procedures in the United Nations system.

60. In accordance with the financial rule 105.17 (a), the Secretariat plans to significantly expand inter-agency cooperation and to extensively utilize Common Services Arrangements with other United Nations organizations. In that regard, all organizations would benefit from each other's specialized expertise and from the right to use each other's specialized procurement contracts. In furtherance of that initiative, work is under way to determine in which field specific United Nations entities have a competitive advantage. Areas for cooperation so far identified include: UNICEF/WHO contracts for drugs and related medical supplies; UNHCR contracts for basic relief goods and rudimentary shelters; WFP contracts for transportation services; UNOPS contracts for construction, building management and manpower services; IAPSO contracts for electoral support, vehicles and other catalogued goods; and United Nations Secretariat contracts for vehicles, prefabricated buildings, engineering equipment, office equipment, generators, supply items, safety equipment, information technology and telecommunications equipment.

61. A number of systems contracts and long-term agreements negotiated by individual organizations are being reviewed to extend participation among the organizations within the United Nations system under the lead agency concept. The Secretariat has concluded a number of systems contracts with the provision to make them available for use by the other organizations. Similarly, systems contracts concluded by the other organizations have been utilized by the Secretariat whenever feasible and advantageous.

62. The next level of collaboration is to improve coordination and information sharing of procurement activities among the organizations within the United Nations system in order to achieve economies of scale and eliminate duplication of work. That approach has already started in the area of air and sea freight contracts through joint negotiation with contractors. Similar arrangements have been envisaged in the areas of procurement of common requirements such as vehicles and IT and communications equipment with IAPSO.

63. In extending partnerships within the United Nations system, the Secretariat is taking into consideration the internal control framework established within the organizations as requested in General Assembly resolution 60/260, which calls for an assessment of the effectiveness of internal controls of the United Nations organizations referred to in proposal 14 of the Secretary-General's report (A/60/692) as well as an assessment of how those internal controls differ from those of the Procurement Service. Internal controls at UNDP/IAPSO and UNICEF have recently been examined and that has indicated that both organizations have strong internal controls in place.

64. In that context it will be recalled that the procurement regulations and rules set forth in ST/SGB/2003/7 were prepared by the inter-agency Task Force on Common Services.[2] The same regulations and rules, with the requisite minor adjustments,

[2] A/55/461, A/52/534 and Corr.1 and A/C.5/52/46.

have been presented to and where appropriate approved by the Executive Boards of UNDP, UNFPA and UNOPS after review by the Advisory Committee on Administrative and Budgetary Questions.

3. Best value for money principle

65. The General Assembly in paragraphs 9 and 10 of its resolution 59/288 requested an overview and general analysis of functioning of the principle of best value for money. Financial regulation 5.12 establishes best value for money as one of the general principles that should be given due consideration when exercising the procurement functions of the United Nations. When procuring goods and services, procurement officers need to satisfy that the best possible outcome has been achieved by taking into account all relevant costs and benefits over the whole of the procurement cycle. The best value for money decisions are influenced by a number factors including:

- The procurement method, encouraging competition ensuring non-discrimination in procurement and the use of competitive procurement process
- Market maturity
- Performance
- Risk
- Financial and contractual considerations
- Disposal costs when dealing with equipment.

Acceptance of the lowest price is not necessarily an indicator of best value for money. Taking those factors into consideration, the Procurement Service has conducted procurement exercises under the best value for money principle while ensuring that decision-making occurs in an accountable and transparent manner.

66. In 2004 and 2005, the Procurement Service issued a total of 110 tenders with the evaluation based on the best value for money methodology and as a result awarded contracts in a total amount of approximately $561.8 million. Out of 110 tenders, successful contractors for 98 cases also had the lowest technically compliant offers, thus making no financial differences between the award on the basis of best value for money and the lowest technically compliant offer. For 12 cases, the Organization awarded contracts on the basis of best value for money and the value of award was higher than the lowest technically compliant offer by approximately $4.8 million. However, higher unit prices are mitigated by the additional benefits to the Organization. The procurement of equipment on the basis of best value for money took factors, such as replacement cost of spare parts, durability of equipment, maintenance costs, warranty conditions, into consideration and was based on the evaluation of the life cycle cost rather than the upfront cost of equipment. In the case of procurement of services, technical compliance, quality control and assurance programme, superior management oversight capacity are considered to determine the best value for money to the Organization.

4. E-procurement and use of purchasing cards

67. Rapid development of technology, e-mail communication and use of the Internet sites for posting and collecting information have changed the methods of public procurement. Many peacekeeping missions have confirmed e-mail capabilities of local businesses, which appear to be a more reliable means of written communication compared to facsimile. Thus, the Organization has taken advantage of rapid technological development and utilized its website for dissemination of information. A next step in the use of technology would be the development of e-Procurement capabilities to facilitate the acquisition process.

68. One of the e-Procurement tools that will be further developed for immediate implementation is the use of electronic catalogues for ordering of products against systems contracts. In fact, the Organization has already established an e-catalogue system for medical equipment, communication equipment and stationery items. Currently, the e-catalogue is limited to identification of products and the peacekeeping missions use standard purchase orders to place an actual order. The Organization intends to expand the use of the e-catalogue system with contractors for products regularly required to facilitate acquisition while bearing in mind the need to maintain the traditional means in order not to discriminate against suppliers with less sophisticated technological capacity.

69. The Secretariat is currently using purchasing cards and will further enhance the purchasing card programme by the end of 2006 so that low-value procurement such as subscription services, spare parts and consumables may be processed by cardholders more expeditiously. That will reduce the transaction costs for numerous small purchases currently being processed through Purchase Orders and offer an additional opportunity for discounts with more expeditious payment to vendors. In order to safeguard the financial interests of the Organization, the Secretariat is also reviewing the procedural issues with a view to establishing a strong internal control mechanism as requested by the General Assembly in paragraph 21 of its resolution 59/288.

5. Contract management

70. The Procurement Service has collaborated with the client offices in streamlining contract management procedures with a view to improving vendor compliance and facilitating vendor performance monitoring and reporting.

71. Best practice shows that a key requirement to improve vendor performance is to establish performance standards and quality assurance mechanisms which are duly incorporated in the contracts, thereby ensuring that performance management becomes an intrinsic and ongoing part of the contractual relationship and not a separate consideration. The Department of Management and the Department of Peacekeeping Operations have collaborated in ensuring that that approach is implemented on a priority basis in the area of service contracts. For example, new rations contracts incorporate performance-based and quality-assurance consideration and the Organization is ensuring that those features are included if possible in all future contracts, including contracts for airfield services and general supply systems currently being developed.

6. Reduction of time line for invoice payment

72. As requested by the General Assembly in paragraph 11 of resolution 59/288, the Organization has been endeavouring to reduce the time line associated with invoice payment. At Headquarters, approximately 80 per cent of payments are being processed within 30 days and efforts are ongoing to improve it further. Delays could often occur owing to a misunderstanding of delivery terms and contractual obligations of the Organization at the time of delivery, particularly in the case of delivery to locations outside Headquarters. The Organization has updated the guidelines and briefed the Chief Finance Officers and the Chiefs of Procurement to apprise staff of procedures to follow, including transfer of invoice-processing functions from procurement to finance in the peacekeeping missions.

C. Strategic management of United Nations procurement

1. Career development programme

73. In line with best practices in public sector procurement in relation to staff capacity enhancement, career development frameworks will be developed for the procurement occupational group. The framework will incorporate model career paths for procurement staff, which set clear standards to be met in terms of experience, skill and competency requirements at each grade level and specify training (including on-the-job training) and experience requirements to be met at each step of career progression. A critical element of the experiential development requirements will include the mobility of staff between Headquarters and the peacekeeping missions and other duty stations.

74. As an initial step towards developing a career path for the procurement occupation across duty stations in the global Secretariat, the Procurement Service has initiated a review of job functions for all staff under the guidance of Office of Human Resources Management with a view to conducting a horizontal review of job classification within the Procurement Service. Following the review, which would enable the Procurement Service to develop a more organized structure with visible career progress options, the job profile for respective job functions would be formalized to establish a career development path within the procurement profession.

75. Development of core procurement resources within the Organization can be achieved through the continuous effort to upgrade substantive skills and enhance the integrity awareness of procurement staff. As explained in the training section of the present report (paras. 19-24), the Organization will require a significant increase in training resources, which is estimated at $800,000 to make the career development programme fully functional.

2. Procurement from developing countries and countries with economies in transition

76. Increasing procurement opportunities and participation of vendors from developing countries and economies in transition has been a priority issue and has been subject to a series of General Assembly resolutions including the most recent resolution 60/260, section V, subparagraph (g), whereby the Assembly requested proposals to effectively increase procurement opportunities and participation of

vendors from developing countries. In 2005, the Organization procured $726.5 million worth of goods and services at Headquarters and the peacekeeping missions from developing countries and countries with economies in transition out of the total of $1,619.9 million. That represents 44.8 per cent of the total procurement value and compares to 42.1 per cent in 2001. For the entire Organization, including offices away from Headquarters and regional commissions, the value of procurement in 2005 was $791.5 million out of the total of $1,774.0 million, which represents 44.6 per cent. The trends for the past five years are summarized in the tables below.

Table 3

Headquarters and mission procurement from developing countries and countries with economies in transition (Headquarters and the peacekeeping missions, excluding offices away from Headquarters and regional commissions)

(Millions of United States dollars)

	2001	*2002*	*2003*	*2004*	*2005*
Procurement from developing countries and economies in transition	359.7	389.3	377.7	554.7	726.5
Grand total	**854.4**	**812.6**	**891.9**	**1 310.6**	**1 619.9**
Percentage of total	**42.1**	**47.9**	**42.3**	**42.3**	**44.8**

Table 4

Procurement from developing countries and countries with economies in transition (Headquarters and peacekeeping operations, including offices away from Headquarters and regional commissions)

(Millions of United States dollars)

	2001	*2002*	*2003*	*2004*	*2005*
Procurement from developing countries and economies in transition	542.2	483.6	429.1	587.7	791.1
Grand total	**1 109.5**	**966.8**	**1 010.4**	**1 399.9**	**1 774.0**
Percentage of total	**48.9**	**50.0**	**42.5**	**42.0**	**44.6**

77. The Secretariat has used business seminars as one of the measures to increase awareness of procurement opportunities among vendors in developing countries and countries with economies in transition. However, it is quite difficult to establish a direct co-relation between business seminars and vendor registration. In many instances, firms represented at the business seminars offer products and services which would not normally be procured by the Organization. Nonetheless, based on the record of business seminars held in a total of 24 developing countries and countries with economies in transition since 2001, the Organization noted that a total of 248 vendors were successfully registered.

78. While the Organization continuously makes an effort to increase procurement opportunities for vendors in developing countries and countries with economies in transition, the Organization is facing a challenge to make staff resources available for that important activity at the present critical juncture when the Organization needs to support procurement activities for the expansion of peacekeeping missions and at the same time deal with reform activities to enhance internal controls. From that perspective, it is essential for the Procurement Service to increase its staffing resources so that it can maintain the capacity to participate in business seminars in developing countries and countries with economies in transition. The Secretariat requests the provision of 1 P-3 staff member under the support account for peacekeeping operations effective with 2006/07 fiscal year. That P-3 staff member will be assigned to develop business seminar programmes for vendors in developing countries and countries with economies in transition under the supervision of the Chief of the Support Services Section and overall guidance of the proposed D-2 in consultation with the representatives of Member States. With the added capacity, the Procurement Service will work closely with local business institutions, such as chambers of commerce and associations of industry, in collaboration with the representatives of Member States to conduct research to identify vendors capable of supplying goods and services required by the Organization. The additional staff resource will also enable the Procurement Service to make planning visits to local business institutions to assist local business institutions in making logistical arrangements for seminars. The P-3 will also act as a focal point for communication within the Secretariat and with IAPWG and its members to encourage participation of other United Nations organizations as appropriate. With the added capacity, the Organization aims to hold business seminars in 12 to 18 developing countries and countries with economies in transition during the next 18-month period.

79. In addition to dissemination of procurement information through business seminars and the publication *United Nations Development Business*, which is now available both in paper form and online, the Organization is strengthening collaboration with the field offices such as the United Nations Information Centres and the offices of UNDP with a view to improving ways to disseminate the information on procurement opportunities within the United Nations system at the grass-root level. In that respect, distribution of newly developed DVDs, replacing videos produced several years ago and having presentation materials as well as video images, will start in June 2006 to seek cooperation of field offices in distributing DVDs to local business institutions. A wealth of procurement information useful for vendors has also been made available at the Procurement Service website.

80. Pursuant to paragraph 8 of General Assembly resolution 59/288, the issue of diversification of supply sources was discussed at the 2005 IAPWG meeting and was followed up at the 2006 IAPWG meeting in Brazil to review supplier diversification strategies at the IAPWG level as well. The IAPWG meetings have been held in developing countries and countries with economies in transition on numerous occasions. The IAPWG meetings also offer opportunities for vendors to see procurement officials from various organizations within the United Nations system, as was the case at the 2006 IAPWG meeting in Brazil.

81. IAPSO has been publishing its *Annual Statistical Report*, encompassing the procurement activities of all United Nations entities. At the 2005 IAPWG meeting in the Russian Federation, it was agreed to evaluate the Report and the General

Business Guide, another IAPSO publication, with a view to streamlining both publications. For further consideration at the next IAPWG meeting, the IAPWG secretariat has prepared a proposal for redevelopment of the *Annual Statistical Report*. Further updates will be reported in the next report of the Secretary-General in response to paragraph 13 of resolution 59/288.

82. The overall procurement volume of the Secretariat, including the offices away from Headquarters and the regional commissions is summarized in the tables in the annexes to the present report. Annex I shows the procurement trend from 2001 to 2005 and annexes II and III show the procurement by country in 2004 and 2005, respectively. In that regard, the procurement values from 2001 to 2003 in annex I differ from the values reported in the Secretary-General's previous reports as annex I to the present report includes procurement of the offices away from Headquarters and the regional commissions.

D. Financial implications

83. As requested by the General Assembly in section V, subparagraph (c) of its resolution 60/260, the present section describes financial implications.

1. Procurement Reform Implementation Team

84. The numerous findings and recommendations in the reports of consultants and the Office of Internal Oversight Services audit require broad-based consultations and coordination with stakeholders who have either prime or joint responsibility for certain functions. Those stakeholders include the Office of Programme Planning, Budget and Accounts, the Office of Human Resources Management, the Department of Peacekeeping Operations, the Office of Legal Affairs, the Office of Internal Oversight Services and the Information Technology Services Division.

85. In order to implement continuous change management and put into practice the key findings from the study, a dedicated team which can fully concentrate on the implementation plan is necessary and has therefore been proposed. The current staff of the Procurement Service are fully engaged in core procurement functions. While they can provide substantive comments, no spare capacity exists to undertake all the actions detailed above. The Procurement Service will require a dedicated team for change management to focus on the implementation of recommendations made by the consultant and the Office of Internal Oversight Services audit and has requested additional staffing resources in the context of the support account for the peacekeeping operations budget proposal to develop the revised procedures for improving the internal controls.

2. Strengthening human resources for procurement

86. The Procurement Service currently comprises a total of 75 posts, including 35 Professional posts and 40 General Service (Other level) posts, to support the procurement activities of the Organization. Recognizing the substantial increase in the demand to support the procurement activities of the peacekeeping and other field missions, seven Professional staff members of the Procurement Service are currently on assignment to the peacekeeping operations. The positions of those staff members have been filled with mission replacement staff with short-term appointments.

87. The procurement requirements of United Nations peacekeeping operations continue to grow. By the end of 2006, the value of goods and services procured for United Nations peacekeeping operations is expected to reach $2 billion. In view of an exponential increase in workload, the Procurement Service has requested as a matter of urgency 11 additional posts under the support account for peacekeeping operations for the 2006/07 fiscal year (see A/60/727). While the additional staff requested (see A/60/727) was expected to address the increasing workload and provide additional capacity to the Procurement Service in meeting its mandated activities, the increase of staff resources requested is unlikely to match the increase in peacekeeping procurement volume. To relieve pressure, the Organization is strengthening collaboration with other United Nations system organizations such as UNDP/IAPSO, UNOPS, and others. However, that cannot fully address the resource requirements for the procurement operation, which has evolved into a complex operation requiring strategic focus.

88. Accordingly, the Secretariat requests reclassification of a D-1 post under the regular budget to the D-2 level and 1 new D-1, 4 P-4 new posts and 1 P-3 new post under the support account for peacekeeping operations for the fiscal year ending on 30 June 2007, in addition to the 11 new posts already included in the current proposal (A/60/727). The proposed reclassification of a D-1 post to the D-2 level is necessary to provide the appropriate level of executive direction and management. The Secretariat recalls that similar requests were made in the proposed programme budget for the biennium 1996-1997 (see A/50/6 (Sect. 26D)) and the proposed programme budget for the biennium 1998-1999 (see A/52/6 (Sect. 27D)). The high volume and value of current procurement activities and its complexities demands the management expertise and direction of a Director at the D-2 level. The Director will be responsible for the strategic management of United Nations procurement operations. The incumbent is also required to consult and participate in high-level negotiations with other United Nations organizations and relevant private entities, e.g., vendors and suppliers.

89. In addition to the reclassification of a D-1 to D-2 as proposed above, the Procurement Service requires an additional D-1 post to oversee daily procurement activities of the Field Procurement Section and the Logistics and Transportation Section, which manage over 85 per cent of the procurement activities at Headquarters and the peacekeeping missions. The procurement activities of the two Sections are interlinked with each other and require more coordination to implement efficient deployment of personnel and equipment, which will lead to cost avoidance. In order to coordinate procurement of equipment, deployment of personnel and delivery of equipment, consultation with various sections within the Department of Peacekeeping Operations, vendors and transportation service providers and make an authoritative decision on procurement strategies with inputs from them, a D-1 level post exclusively dedicated to managing the procurement service as a line operation is essential. Among the 4 additional P-4 posts required, 1 P-4 will be dedicated to the tasks to replace the current procurement information system and enhance information systems support, including substantive support to the introduction of ERP. Another P-4 will augment the Procurement Service capacity in managing procurement of complex IT and logistical requirements with legal expertise. The other 2 P-4 positions will be required to further strengthen the capacity of the Field Procurement Section to provide the Section with capacity to conduct management reviews of local peacekeeping procurement activities and training for the field

procurement staff. One P-3 post is requested in the context of strengthening the activities for business seminars as explained in paragraph 78 above. Distribution of posts requested (see A/60/727) and reiterated in the present report is shown in the Procurement Service organizational chart in annex IV to the present report.

90. Those reinforcements are absolutely necessary in order to provide strategic focus on procurement activities and for enhancing internal controls over the procurement activities. The current resources do not keep up with the operational demands. Further they do not allow the Procurement Service to adopt a strategic approach to complex procurement requirements through careful planning and extensive collaboration with requisitioning offices or to devote resources to improve internal control measures. Additional staffing resources are also essential for the Procurement Service to conduct management reviews of the procurement activities of peacekeeping missions and to provide the procurement staff in the field with technical guidance to resolve complex contractual issues. They are essential to improve the local procurement activities at the mission level as well as to provide the staff resources necessary to conduct business seminars in developing countries and countries with economies in transition.

91. The procurement reform measures described above will not be achieved without increasing the staff and financial resources approved for the Procurement Service. The Procurement Service has sought additional resources under the support account for peacekeeping operations for the fiscal year ending on 30 June 2007 (see A/60/727). The resources requested for the 2006/07 fiscal year for the Procurement Service are summarized below. In the context of the request, additional resources are also being sought for staffing, consultants and training.

	Proposals made in the budget for the support account for peacekeeping operations for the period 1 July 2006 to 30 June 2007 (A/60/727)	*Further additional requirements sought in the present document*
New post and reclassification	1 P-5, 3 P-4, 4 P-3, 1 General Service (Principal level), 2 General Service (Other level) (A/60/727, paras. 364-284)	*Regular budget 2006/07* Reclassification of 1 D-1 to the D-2 level under the regular budget *Support account 2006/07* 1 D-1, 4 P-4 and 1 P-3;
General temporary assistance	$430,400 for 1 P-5 and 1 P-4 for PRIT and continued funding of $276,200 for 3 General Service (Other level) for efficiency improvement in freight forwarding (A/60/727, paras. 403-404)	

	Proposals made in the budget for the support account for peacekeeping operations for the period 1 July 2006 to 30 June 2007 (A/60/727)	*Further additional requirements sought in the present document*
Consultants	Continued funding of $20,000 for delivery of training at the Chief Procurement Officers' conferences (A/60/727, para. 412)	*Support account 2006/07* $200,000 is required for consultants to review industry practices and procurement model in specific industries relevant to the United Nations requirements $640,000 is required to organize external training for 400 procurement staff
Travel	$275,000 ($100,000 for management visit travel from Headquarters to the field and $175,000 for staff travel related to internal procurement training) (A/60/727, paras. 418-419)	*Support account 2006/07* $50,000 to supplement travel expenses approved under the 2006/07 regular budget to organize business seminars $150,000 is required for travel related to staff travel for internal procurement training
Other supplies, services and equipment	$370,000 ($20,000 for training-related materials and supplies, $100,000 for centrally processing payment of invoices for low value freight charges, $250,000 for due diligence review of vendors and $20,000 for the IAPWG jointly financed contribution for the maintenance of UNGM) (A/60/727, paras. 421-424)	*Support account 2006/07* $10,000 for training-related materials and supplies
Information technology (centrally administered costs by the Executive Office)	$20,400 for 34 Blackberries for communications with the field outside normal working hours, standard maintenance of IT equipment and additional computers and printers for numbers of staff approved (A/60/727, para. 434)	*Support account 2006/07* $23,100 foreseen for office equipment, including computers, Blackberries and standard maintenance of IT equipment for the 6 additional posts requested

92. It is essential that dedicated resources be authorized to oversee procurement activities in the field carried out under the delegated procurement authority. The resources requested by the Department of Peacekeeping Operations under the budget report of the Support Account for 2006/07 relating to the management and oversight functions for field procurement are summarized below:

New posts

1 P-5, 1 P-4 to establish this crucial capacity to monitor the execution of the delegated procurement authority as detailed in paragraphs 148 to 150 of A/60/727.

93. The resources requested for the Headquarters Committee on Contracts under the 2006/07 Support Account budget are summarized as follows:

New posts

1 D-1, 1 P-4 and 1 General Service (Other level) to strengthen the Secretariat of the HCC as explained in paragraphs 267–271 of A/60/727.

94. The resources requested for the Office of Legal Affairs under the 2006/07 Support Account budget are summarized as follows:

New posts

2 P-5, 1 P-4 and 1 General Service (Other level) to strengthen the General Legal Division of the Office of Legal Affairs as detailed in paragraphs 490-495 of A/60/727.

III. General Assembly resolutions on procurement

95. A concise summary of previous resolutions of the General Assembly is contained in this report as requested in section V, subparagraph (a) of resolution 60/260. The report also describes various measures to strengthen internal control and optimize United Nations acquisition and procurement management as major themes of the report as requested in section V, subparagraph (d) of the resolution.

96. With regard to the assessment requested by the General Assembly in section V, subparagraph (b) of resolution 60/260, it may be recalled that annual reports on procurement reform have been provided regularly, the most recent being document A/59/216. In its resolution 59/288 the General Assembly welcomed progress achieved. Given the short period elapsed since the adoption of the resolution, there are no further developments to report separately beyond those that have been addressed in the body of the present report.

IV. Conclusion and recommendations

97. **The Secretary-General remains committed to ensuring that the initiatives discussed in the present report are implemented as a matter of priority to enhance internal controls over the procurement activities of the Organization, undertake strategic approaches to optimize acquisition management with a view to reducing acquisition costs and manage United Nations procurement with the ultimate goal of regaining trust and improving the efficiency and cost-effectiveness of the United Nations procurement system.**

98. **The Secretary-General recommends the General Assembly take note of the report and approve the resource request made under the support account for peacekeeping operations for the period from 1 July 2006 to 30 June 2007 for the following:**

(a) Procurement Service

(i) An amount of $2,913,400 representing the cost of 11 posts and non-post resources, as summarized in paragraph 89 above, which have been foreseen in the proposed Support Account 2006/07 budget (A/60/727, paras. 364-384, and 403);

(ii) An additional amount of $1,931,100 representing the costs of 6 additional posts and non-post resources, including consultants to review industry practices and procurement models ($200,000), the training of both Headquarters and field procurement staff ($800,000), office equipment and related maintenance of IT equipment ($23,100) and travel for business seminars ($50,000);

(b) Office of Mission Support/Department of Peacekeeping Operations

An amount of $303,000 representing the cost of 2 posts and non-post resources, which has been foreseen in the proposed Support Account 2006/07 budget (A/60/727, paras. 148-150);

(c) Office of the Under-Secretary-General for Management

An amount of $437,300 representing the cost of 3 posts and non-post resources for the Headquarters Committee on Contracts, which has been foreseen in the proposed Support Account 2006/07 budget (A/60/727, paras. 267-271);

(d) General Legal Division/Office of Legal Affairs

An amount of $560,300 representing the cost of 4 posts and non-post resources, which has been foreseen in the proposed Support Account 2006/07 budget (A/60/727, paras. 490-495).

99. **The Secretary-General also recommends the approval, under the programme budget for the biennium 2006-2007, of the reclassification of the D-1 Chief of Procurement post to the D-2 level and the related amount of $29,100 under Section 28D, Office of Central Support Services, and $6,400 under Section 35, Staff assessment, to be reported in the context of the first performance report.**

Procurement reform resolutions and decisions of the General Assembly

Resolution	
Revision of Financial Regulations and Rules	
49/216 C, para. 3 (a) 52/226, para. 4 54/14, para. 29 55/247, para. 20	The revision was promulgated in May 2003 in the Secretary-General's Bulletin 2003/7. Further review is taking place as explained in section II.A.3 above
Adherence to the procurement regulations and rules	
52/226, para. 1 59/288, para. 18	Ongoing efforts of the Secretariat to ensure full compliance
Issues of potential conflict of interests and additional rules	
52/226, para. 28 54/14, paras. 30-31	Financial disclosure requirement has been promulgated and rules governing the conduct of staff engaged in acquisition activities will follow as explained in section II.A.1 above
Review of organizational structure of Procurement Service	
51/231, paras. 8-30 52/226, para. 22 55/247, para. 18	Action completed. However, the Secretariat will continuously review its structure with a view to improving efficiency and internal controls
Promulgate the Procurement Manual	
51/231, para. 33 52/226, para. 3 54/14, para. 4 55/247, para. 11	Following the promulgation of the Procurement Manual in 1998, the revised version was promulgated in January 2004. Currently, an amendment is being prepared as explained in section II.A.3 above
Personnel issues (fill vacant posts and discontinue use of gratis personnel)	
51/231, paras. 9-10 52/226, para. 21	Ongoing efforts of the Secretariat to recruit staff expeditiously. Action for gratis personnel completed in 1998
Information on accountability factor within the procurement framework	
59/288, para. 16	Current status as explained in section II.A.4 above
Promulgate ethical guidelines	
59/288, paras. 12-15	Guidelines will be promulgated by July 2006 as explained in section II.A.1 above

Resolution	
Strengthening training of procurement staff	
51/231, para. 31 52/226, para. 20 55/247, para. 18 59/288, para. 14 59/296, sect. XVI, para. 7	Current status as explained in section II.A.2 above
Strengthen the Committee on Contracts	
49/216 C, para. 3 (b) 52/226, para. 9	Action taken as explained in the Secretary-General's report (A/53/271, para. 11). Additional resources requested in A/60/727 and additional measures being pursued as explained in section II.A.4 above
Strengthen acquisition planning capacity and implement proper planning exercises	
49/216 C, para. 3 (d) 51/231, para. 32 52/226, para. 7 54/14, para. 17 55/247, para. 12 59/296, sect. XVI, para. 5	Ongoing efforts of the Secretariat. Action being taken as explained in section II.B.1 above
Need to develop generic specification and discontinue use of suppliers recommended by requisitioners	
51/231, para. 20 52/226, para. 17 54/14, para. 6	Action completed. The Procurement Manual addresses these issues
Streamline vendor registration, improve geographical representation and encourage the field to use local and regional vendors	
49/216 C, para. 3 (e) 51/231, para. 25 52/226, para. 12 54/14, paras. 7, 13-14, 23-25 55/247, paras. 8-22 59/288, paras. 7 and 8 (a)	Ongoing efforts of the Secretariat as reported in previous reports. Additional information is included in section II.A.3 above
Increase procurement from developing countries and countries with economies in transition	
51/231, para. 26 52/226, paras. 13-14 54/14, paras. 19, 21-23, 26-27 55/247, paras. 6-8 57/279, para. 6 59/288, para. 8 59/296, sect. XVI, para. 4	Ongoing efforts of the Secretariat as reported in previous reports. Additional information is included in section II.C.2 above

Resolution	
Advertise opportunities of tender and contract awards	
49/216 C, para. 3 (f) 51/231, paras. 13-14 52/226, para. 13 (a), (b) and (d) 54/14, paras. 9 and 21 (a) and (b)	Information available on the website. E-mail with link to Expression of Interest (EOI) page has been sent to the permanent missions. On the issue of use of Development Business (resolution 52/226, para. 13 (d)), the Secretary-General responded in his report (A/53/271) that it would be used when adequate lead time is available given the fact that it has been published bimonthly. Further updates will be made as explained in section II.A.5 above
Tender procedures (revision of financial rule 110.19 (f) and (g), guidelines of tender methods, lead time for solicitation, use of traditional methods of communication, invitation to all vendors to the extent possible)	
52/226, paras. 10-18 54/14, paras. 8-9, 15	Action completed. The Procurement Manual addresses these issues
Special measures in awarding contracts	
51/231, para. 11 52/226, paras. 14-15 54/14, para. 28	The Secretary-General's position was clarified in his report (A/55/127)
Best value for money procurement	
59/288, paras. 9-10	The Secretary-General's response is in section II.B.3 above
Strengthen supplier performance management for compliance with contractual terms and conditions	
49/216 C, para. 3 (c) 51/231, para. 15 52/226, para. 16 59/288, para. 17 59/296, sect. XVI, para. 1	Standard procedures are in place and implementation is ongoing in efforts of the Secretariat. Action being implemented to strengthen the Vendor Review Committee as explained in section II.A.3 above
Minimize number of ex post facto cases	
51/231, para. 29 52/226, para. 6 59/288, para. 19	Ongoing efforts of the Secretariat. The Controller reminded the Department Heads of their responsibilities in September 2005
Format of procurement report and review of basis of statistical information	
51/231, para. 5 52/226, para. 27 54/14, paras. 20, 36-38 55/247, paras. 15-16 59/288, para. 13	Action being taken in the reports of the Secretary-General. The 2004-2005 award information is contained in the present report
Develop a sharper definition of exigency	
52/226, para. 8 54/14, para. 18 Decision 54/468	Action completed. The revised definition has been used in the Procurement Manual

Resolution	
Improve vendor communication, transparency of procurement decisions and complaint	
52/226, para. 25 54/14, para. 11	Complaint ladder system placed on the website to address the issue. However, an independent bid protest system is being established to improve transparency as explained in section II.A.3 above
Streamline procurement and decision-making process	
51/231, para. 21 55/247, para. 23 59/288, para. 4	Recent action being taken as explained in section II.A.3 above
Coordination within the United Nations system	
51/231, para. 12 55/247, para. 23 57/279, para. 4 59/288, paras. 4-6	Recent action being taken as explained in section II.B.2 above
Develop procurement capacity in the field and delegation of authority	
55/247, para. 17 57/279, para. 9 59/288, para. 20	Ongoing efforts of the Secretariat to strengthen field procurement capacity as explained in section II.A.3 above
Consider procurement system processes utilized in the government and private sectors	
59/296, sect. XVI, para. 3	Current status is explained in section II.A.5 above
Monitor and address causes of excessive lead time	
59/296, sect. XVI, para. 6	Ongoing efforts of the Secretariat
Report arbitration cases	
51/231, paras. 6-7 52/226, para. 24	The Secretary-General issued a report (A/54/458)
Report on safeguarding air safety standards in procurement of air services	
57/279, paras. 7-10	OIOS conducted audit and issued a report (A/59/347)
Develop measurement of procurement efficiency	
52/226, para. 5 54/14, para. 33 55/247, para. 13	Current performance measures reflected in the budget documents. Efforts continue to develop useful tools in connection with implementation of consultant's recommendations
Use of harmonized system for classification of goods	
54/14, para. 16	The Secretary-General responded in his report (A/55/127)
Use of purchasing cards	
59/288, para. 21	The current status is explained in section II.B.4 above

Resolution	
Create one common United Nations global procurement website	
59/288, para. 5	Expanded use of UNGM is envisaged. At the recent meeting of the IAPWG, members reconfirmed their commitment to use UNGM as explained in section II.A.3 (d) above
Improve system of payment and lead time for payment to vendors	
54/14, para. 32 55/247, para. 14 59/288, para. 11	The Secretariat has been updating the guidelines and briefed Chief Finance Officers and Chief Procurement Officers
Letter of Assist	
55/247, para. 21	The procedures are being reviewed by the Procurement Service in consultation with the Department of Peacekeeping Operations
Develop tracking mechanism for other offices	
55/247, para. 10	The Secretary-General responded in his report (A/57/187)

Annex I

Procurement statistics, 2001-2005

Country	2001		2002		2003		2004		2005	
	Goods and services	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*
Afghanistan[a]	89 112	0.01	374 327	0.04	2 934 746	0.29	2 391 752	0.17	2 005 450	0.11
Albania[b]	601 695	0.05	88 583	0.01	18 000	0.00	20 463	0.00	21 465	0.00
Algeria[c,d]	132 702	0.01	157 797	0.02	191 173	0.02	185 410	0.01	205 225	0.01
Angola[a,d]	8 532 500	0.77	19 727 577	2.04	12 351 451	1.22	23 890 251	1.71	14 869 540	0.84
Argentina[c]	13 500	0.00					30 410	0.00	22 090	0.00
Armenia[b]							7 200	0.00		
Australia	29 789 477	2.69	14 591 720	1.51	8 893 850	0.88	4 478 722	0.32	2 756 939	0.16
Austria	7 035 931	0.63	5 844 061	0.60	8 079 423	0.80	9 576 561	0.68	11 858 597	0.67
Bahrain[c]	313 864	0.03	106 611	0.01	20 000	0.00	98 802	0.01	458 372	0.03
Bangladesh[a]			51 750	0.01			20 098	0.00		
Barbados[c]	43 200	0.00	60 720	0.01	102 657	0.01	110 887	0.01		
Belgium	5 376 388	0.48	1 812 200	0.19	2 617 638	0.26	4 407 744	0.31	2 641 681	0.15
Belize[c]							2 570	0.00		
Bolivia[c]	2 520	0.00			1 730	0.00	1 840	0.00	10 668	0.00
Bosnia and Herzegovina[b]	3 466 232	0.31	5 579 511	0.56	142 638	0.01				
Brazil[c]	7 500	0.00	46 000	0.00	119 000	0.01	23 828	0.00	16 251	0.00
Bulgaria[b]	251 375	0.02	233 954	0.02	97 077	0.01	142 822	0.01	9 229 884	0.52
Burkina Faso[a,d]	107 200	0.01	1 961	0.00			178 400	0.01		
Burundi[a,d]	25 759	0.00	78 007	0.01			6 634 669	0.47	18 725 447	1.06
Cambodia[a]	2 633 102	0.24	3 339 513	0.35	3 253 955	0.32	1 027 005	0.07	22 500	0.00
Cameroon[c,d]	52 886	0.00	6 642	0.00	5 316 941	0.53	47 347	0.00	151 115	0.01
Canada	14 257 148	1.29	13 301 169	1.38	8 405 934	0.83	14 021 257	1.00	53 520 765	3.02
Central African Republic[a,d]	606 522	0.05	3 059 065	0.32	184 172	0.02	272 009	0.02	337 736	0.02
Chad[a,d]					31 863	0.00			7 771 626	0.44
Chile[c]	1 932 050	0.17	1 551 350	0.16	3 201 952	0.32	2 546 450	0.18	2 709 128	0.15
China[c]	1 103 808	0.10	1 040 943	0.11	3 850 782	0.38	1 086 470	0.08	1 707 567	0.10

Country	2001		2002		2003		2004		2005	
	Goods and services	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*
Colombia[c]	9 600	0.00	16 950	0.00	23 430	0.00	19 750	0.00	13 884	0.00
Comoros[c,d]			24 000	0.00						
Congo, Democratic Republic of the[a,d]	28 497 657	2.57	36 286 943	3.75	59 193 320	5.86	45 191 175	3.23	71 313 379	4.02
Congo, Republic of the[c,d]	42 023	0.00								
Costa Rica[c]					5 750	0.00			25 790	0.00
Côte d' Ivoire[c,d]	138 890	0.01	3 105	0.00	454 867	0.05	9 834 017	0.70	26 501 919	1.49
Croatia[b]	1 666 858	0.15	1 941 004	0.20	841 420	0.08	274 449	0.02	112 758	0.01
Cuba[c]			57 820	0.01	65 000	0.01	17 499	0.00	3 140	0.00
Cyprus[c]	8 676 398	0.78	8 178 786	0.85	9 187 660	0.91	29 884 997	2.13	54 019 027	3.05
Czech Republic[b]	1 275	0.00	35 096	0.00	10 167	0.00	13 239 410	0.95	6 929 821	0.39
Democratic People's Republic of Korea[c]							30 133	0.00	3 534	0.00
Denmark	32 022 209	2.89	16 544 926	1.71	22 588 245	2.24	24 460 605	1.75	33 623 388	1.90
Djibouti[a,d]	51 273	0.00	199 717	0.02	9 251	0.00	62 676	0.00	-10 694	0.00
Dominican Republic[c]									467 073	0.03
Ecuador[c]							26 570	0.00	4 610	0.00
Egypt[c,d]	14 268 036	1.29	13 545 012	1.40	13 476 604	1.33	10 512 772	0.75	2 629 402	0.15
El Salvador[c]							720	0.00	16 110	0.00
Eritrea[a,d]	4 198 743	0.38	10 624 012	1.10	10 709 211	1.06	9 183 538	0.66	8 349 214	0.47
Estonia[b]			2 735 000	0.28	4 379 994	0.43	9 931 450	0.71	6 926 473	0.39
Ethiopia[a,d]	12 587 710	1.13	5 205 166	0.54	5 825 284	0.58	3 589 099	0.26	8 813 865	0.50
Fiji[c]	76 685	0.01	63 025	0.01			42 000	0.00	54 813	0.00
Finland	729 031	0.07	2 922 962	0.30	1 503 213	0.15	1 965 719	0.14	1 963 408	0.11
France	39 754 048	3.58	36 155 751	3.74	34 497 753	3.41	77 556 117	5.54	67 356 076	3.80
Gambia[a,d]			1 448	0.00					5 000	0.00
Georgia[b]			1 607 560	0.17	2 432 219	0.24	2 318 982	0.17	2 233 674	0.13
Germany	8 489 646	0.77	6 641 323	0.69	13 724 181	1.36	15 873 618	1.13	49 108 463	2.77
Ghana[c,d]	68 025	0.01	154 720	0.02			481 814	0.03	1 829 944	0.10
Gibraltar									63 935	0.00

Country	2001		2002		2003		2004		2005	
	Goods and services	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*
Greece	88 672	0.01	73 767	0.01	47 474	0.00	199 075	0.01	174 493	0.01
Guatemala[c]	1 514 263	0.14	1 120	0.00	954 927	0.09	726 925	0.05	19 074	0.00
Guinea[a,d]	10 162	0.00	31 412	0.00	180 874	0.02	71 907	0.01	13 560	0.00
Haiti[a]							8 187 069	0.58	36 767 517	2.07
Honduras[c]							5 130	0.00	5 230	0.00
Hungary[b]	13 000	0.00	6 000	0.00	26 552	0.00	30 597	0.00	102 199	0.01
Iceland							10 000	0.00		
India[c]	24 240 260	2.18	20 697 129	2.14	19 619 322	1.94	15 718 539	1.12	11 265 422	0.64
Indonesia[c]	11 647 179	1.05	10 251 017	1.06	388 481	0.04	64 744	0.00	9 390	0.00
Iran[c]	23 900	0.00	423	0.00	165	0.00	34 000	0.00	-517	0.00
Iraq[c]	150 101 385	13.53	74 174 604	7.67	17 569 314	1.74	1 545 196	0.11	19 257 512	1.09
Ireland	10 526 549	0.95	910 993	0.09	22 019 891	2.18	15 984 475	1.14	31 211 235	1.76
Israel	17 184 939	1.55	12 094 564	1.25	9 233 756	0.91	9 389 050	0.67	12 083 361	0.68
Italy	43 665 349	3.94	38 391 345	3.97	37 474 733	3.71	68 430 260	4.89	88 620 647	5.00
Jamaica[c]			14 661	0.00	70 656	0.01			46 986	0.00
Japan	12 298 851	1.11	9 890 299	1.02	32 304 116	3.20	47 100 728	3.36	51 770 784	2.92
Jordan[c]	647 726	0.06	1 136 518	0.12	7 292 055	0.72	25 009 009	1.79	40 629 921	2.29
Kazakhstan[b]									18 000	0.00
Kenya[c,d]	15 008 550	1.35	9 040 956	0.94	7 319 405	0.72	14 075 803	1.01	19 279 421	1.09
Korea, Republic of[c]	292 232	0.03	1 688 562	0.17	2 198 494	0.22	3 674 154	0.26	3 221 917	0.18
Kosovo[b]	490 075	0.04								
Kuwait[c]	8 380	0.00	6 908 358	0.71	1 237 738	0.12	278 775	0.02	2 349 523	0.13
Kyrgyzstan[b]							29 000	0.00	18 100	0.00
Lao People's Democratic Republic[c]									19 250	0.00
Lebanon[c]	12 835 875	1.16	13 517 847	1.40	10 520 075	1.04	10 380 733	0.74	8 399 067	0.47
Liberia[a,d]							29 630 292	2.12	44 715 067	2.52
Libyan Arab Jamahiriya[c,d]	5 380	0.00					8 380	0.00	1 003 000	0.06
Lithuania[b]	2 333	0.00					252 474	0.02	10 582	0.00

Country	2001		2002		2003		2004		2005	
	Goods and services	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*
Luxembourg							7 319	0.00		
Macedonia, Former Yugoslav Republic of[b]	13 644 563	1.23	4 640 918	0.48	4 606 789	0.46	1 727 435	0.12	6 594 608	0.37
Madagascar[a,d]							22 240	0.00		
Malaysia[c]	139 027	0.01	19 816	0.00	342 820	0.03	51 876	0.00	29 388	0.00
Maldives[a]			76 420	0.01						
Mali[a,d]	36 761	0.00	7 283	0.00			28 584	0.00		
Malta	94 378	0.01	44 432	0.00	49 266	0.00	107 952	0.01	173 932	0.01
Mauritania[a,d]			1 777	0.00	25 000	0.00			26 785	0.00
Mauritius[c,d]	1 300	0.00	800	0.00						
Mexico[c]			161 100	0.02	366 141	0.04	365 210	0.03	772 563	0.04
Moldova, Republic of[b]			4 740 000	0.49	4 598 097	0.46	2 052 229	0.15	2 587 634	0.15
Monaco	15 719 237	1.42	15 229 195	1.58	32 258 337	3.19	47 104 390	3.36	67 045 951	3.78
Mongolia[c]	52 553	0.00	3 500	0.00						
Morocco[c,d]	3 791 559	0.34	3 978 552	0.41	3 066 829	0.30	3 654 559	0.26	4 568 212	0.26
Mozambique[a,d]	29 800	0.00	3 483 200	0.36	3 044 735	0.30			129 600	0.01
Myanmar[a]									19 660	0.00
Namibia[c,d]							1 452 300	0.10	47 750	0.00
Nepal[a]									8 772	0.00
Netherlands	11 013 461	0.99	10 249 659	1.06	7 758 713	0.77	11 106 076	0.79	16 224 122	0.91
New Caledonia[c]									26 660	0.00
New Zealand	2 416 349	0.22	2 143 308	0.22	901 134	0.09	3 624 337	0.26	5 708 713	0.32
Nicaragua[c]			90 850	0.01	9 607	0.00	13 100	0.00	17 000	0.00
Niger[a,d]					53 900	0.01				
Nigeria[c,d]	909 306	0.08	1 054 632	0.11	1 238 373	0.12	3 548 083	0.25	1 866 358	0.11
Norway	5 139 084	0.46	1 305 889	0.14	3 091 500	0.31	3 837 945	0.27	6 121 504	0.35
Occupied Palestinian Territory[c]							123 264	0.01	243 009	0.01
Occupied Territories[c]					163 026	0.02				

Country	2001		2002		2003		2004		2005	
	Goods and services	Percentage of total	Goods and services	Percentage of total	Goods and services	Percentage of total	Goods and services	Percentage of total	Goods and services	Percentage of total
Oman[c]	112 019	0.01	24 662	0.00	4 292	0.00	133 834	0.01	620 495	0.03
Pakistan[c]	520 877	0.05	669 944	0.07	575 753	0.06	497 541	0.04	2 378 961	0.13
Palau, Republic of[c]			125 120	0.01						
Panama[c]									1 500	0.00
Papua New Guinea[c]							1 500	0.00		
Paraguay[c]							690	0.00	780	0.00
Peru[c]							52 110	0.00	4 620	0.00
Philippines[c]					39 000	0.00	51 310	0.00	42 187	0.00
Poland[b]	130 505	0.01	53 806	0.01	194 480	0.02	6 389	0.00	24 790	0.00
Portugal	1 320 442	0.12	1 403 763	0.15	148 133	0.01	2 032 599	0.15	6 567	0.00
Qatar[c]					18 664	0.00				
Romania[b]	5 000	0.00	27 200	0.00	41 728	0.00			820	0.00
Russia[b]	96 759 445	8.72	108 545 473	11.23	90 455 824	8.95	140 133 796	10.01	125 133 239	7.05
Rwanda[a,d]	130 500	0.01	731 484	0.08	133 831	0.01	500 197	0.04	2 333 052	0.13
Saint Kitts and Nevis[c]							300	0.00		
San Marino			4 792	0.00			36 553	0.00		
Saudi Arabia[c]	215 165	0.02	314 823	0.03	130 384	0.01	34 846	0.00		
Senegal[a,d]	6 992	0.00	26 218	0.00			144 800	0.01	12 502	0.00
Serbia and Montenegro[b]					50 419	0.00	4 981 908	0.36	3 390 262	0.19
Sierra Leone[a,d]	22 827 043	2.06	17 077 439	1.77	22 812 333	2.26	15 883 568	1.13	7 719 848	0.44
Singapore[c]	2 004 910	0.18	894 671	0.09	1 639 712	0.16	3 065 558	0.22	1 960 232	0.11
Slovakia[b]	229 700	0.02	320 289	0.03	508 668	0.05	159 954	0.01	218 854	0.01
Slovenia[b]	227 799	0.02	214 421	0.02	375 096	0.04	103 487	0.01	14 150	0.00
Somalia[a,d]			155 144	0.02	8 724	0.00	360 282	0.03	244 983	0.01
South Africa[c,d]	29 744 997	2.68	29 180 203	3.02	20 643 356	2.04	36 750 773	2.63	47 223 874	2.66
Spain	291 452	0.03	315 977	0.03	705 588	0.07	1 224 689	0.09	4 293 493	0.24
Sri Lanka[c]	99 760	0.01							28 000	0.00
Sudan[a,d]	32 789	0.00			19 714	0.00	3 820 750	0.27	57 711 131	3.25
Swaziland[c,d]	16 735	0.00	168 707	0.02	3 291	0.00				

Country	2001		2002		2003		2004		2005	
	Goods and services	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*
Sweden	3 085 663	0.28	4 672 066	0.48	11 946 016	1.18	3 946 662	0.28	8 888 677	0.50
Switzerland	37 959 465	3.42	35 127 975	3.63	56 084 444	5.55	32 858 876	2.35	50 982 564	2.87
Syrian Arab Republic[c]	3 577 280	0.32	4 430 299	0.46	4 823 526	0.48	4 867 043	0.35	4 101 048	0.23
Tajikistan[b]			2 420 000	0.25	2 511 325	0.25	941 763	0.07	158 572	0.01
Tanzania, United Republic of[c,d]			4 404	0.00	65 099	0.01	498 771	0.04	197 730	0.01
Thailand[c]	7 318 851	0.66	3 547 620	0.37	12 263 072	1.21	18 825 446	1.34	31 985 476	1.80
Timor-Leste[c]			6 209 357	0.64	13 307 526	1.32	5 572 504	0.40	5 687 192	0.32
Togo[a,d]			1 427	0.00	28 500	0.00				
Trinidad and Tobago[c]					356 000	0.04	430 030	0.03	443 100	0.02
Tunisia[c,d]							41 593	0.00		
Turkey[c]	726 926	0.07	1 289 327	0.13	2 251 691	0.22	932 417	0.07	1 863 886	0.11
Turkmenistan[b]									15 850	0.00
Uganda[a,d]	13 088	0.00	515 163	0.05	4 236 309	0.42	20 688 772	1.48	6 337 162	0.36
Ukraine[b]	11 664 667	1.05	24 155 168	2.50	17 238 796	1.71	26 134 653	1.87	24 521 721	1.38
United Nations Transitional Authority (East Timor)[c]	11 839 166	1.07								
United Arab Emirates[c]	2 681 622	0.24	3 343 515	0.35	4 922 827	0.49	5 000 207	0.36	13 856 786	0.78
United Kingdom	63 000 989	5.68	53 282 849	5.51	63 153 545	6.25	87 000 272	6.21	77 941 714	4.39
United States of America	223 213 042	20.12	200 306 459	20.72	203 866 274	20.18	325 827 538	23.27	338 810 462	19.10
Uruguay[c]					2 000	0.00	3 590	0.00	43 461	0.00
Uzbekistan[b]			12 000	0.00						
Venezuela[c]			21 250	0.00	45 000	0.00	25 000	0.00	110 524	0.01
Viet Nam[c]	8 136	0.00			34 000	0.00	49 808	0.00	30 650	0.00
Yemen[a]	8 000	0.00			2 000	0.00				
Yugoslavia[b]	8 320 293	0.75	6 953 833	0.72	5 984 234	0.59	924 996	0.07	36 175	0.00
Zambia[a,d]	53 183	0.00	196 848	0.02	6 000	0.00	4 000	0.00		
Zimbabwe[c,d]	63 000	0.01	31 183	0.00						
Total	**1 109 454 515**	**100.00**	**966 833 569**	**100.00**	**1 010 412 021**	**100.00**	**1 399 914 665**	**100.00**	**1 774 000 108**	**100.00**

Country	2001		2002		2003		2004		2005	
	Goods and services	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*	*Goods and services*	*Percentage of total*
Summary by groups										
Africa	141 991 069	12.80	154 762 003	16.01	170 630 410	16.89	241 248 831	17.23	354 922 755	20.01
Developing country or area (a)	324 214 945	29.22	218 009 010	22.55	169 500 167	16.78	212 548 937	15.18	314 506 301	17.73
Least developed country (b)	80 477 895	7.25	101 253 301	10.47	125 045 174	12.38	171 783 131	12.27	288 242 704	16.25
Subtotal (a)+(b)	**404 692 839**	**36.48**	**319 262 311**	**33.02**	**294 545 340**	**29.15**	**384 332 068**	**27.45**	**602 749 005**	**33.98**
Economy in transition (c)	137 474 815	12.39	164 309 816	16.99	134 513 524	13.31	203 413 458	14.53	188 299 632	10.61
Subtotal (a)+(b)+(c)	**542 167 655**	**48.87**	**483 572 127**	**50.02**	**429 058 864**	**42.46**	**587 745 526**	**41.98**	**791 048 637**	**44.59**
Industrialized countries (d)	567 286 860	51.13	483 261 442	49.98	581 353 157	57.54	812 169 139	58.02	982 951 472	55.41
Grand total (a)+(b)+(c)+(d)	**1 109 454 515**	**100.00**	**966 833 569**	**100.00**	**1 010 412 021**	**100.00**	**1 399 914 665**	**100.00**	**1 774 000 108**	**100.00**

[a] Least developed country.
[b] Economy in transition.
[c] Developing country or area.
[d] African country.

NB

(1) With respect to procurement statistics on supply sources, it should be underlined that country of supply with respect to goods is determined on the basis of the location of the supplier, whereas in the case of services is determined on the basis of the location of the firm's headquarters.

(2) Country assignments are based on the location of the supplier offering the goods and not based on the country where the goods are actually produced (for more information on rules of origin, please see the World Trade Organization website <www.wto.org>). Goods made in country A but sold to the United Nations by a company based in country B are attributed to country B. In this respect, it should be noted that $29.2 million in airline and shipping expenditures were attributed to the United States of America in 2001, while, $25.9 million was attributed for 2002, $31.4 million for 2003, $30.3 million for 2004 and $34 million for 2005. A major part of these costs were ultimately remitted to non-United States carriers. In the case of air travel, these payments are ticketed through United Nations travel agency and freight is charged through the freight forwarder based in New York.

(3) Prior to 2002, Israel was placed under the developing country group.

Annex II

Country procurement value by Procurement Service, local peacekeeping missions, and offices away from Headquarters, 2004

Country or area	Procurement Service: Headquarters	Procurement Service: Department of Peacekeeping Operations	Local peacekeeping missions	Offices away from Headquarters	Total	Percentage of total
Afghanistan[a]			2 391 752		2 391 752	0.17
Albania[b]			20 463		20 463	0.00
Algeria[c,d]			185 410		185 410	0.01
Angola[a,d]		23 890 251			23 890 251	1.71
Argentina[c]	25 900			4 510	30 410	0.00
Armenia[b]				7 200	7 200	0.00
Australia	23 040	4 287 425		168 257	4 478 722	0.32
Austria	47 320	734 417	4 607 190	4 187 634	9 576 561	0.68
Bahrain[c]			98 802		98 802	0.01
Bangladesh[a]				20 098	20 098	0.00
Barbados[c]	110 887				110 887	0.01
Belgium	192 708	64 060	3 161 532	989 444	4 407 744	0.31
Belize[c]				2 570	2 570	0.00
Bolivia[c]				1 840	1 840	0.00
Brazil[c]				23 828	23 828	0.00
Bulgaria[b]			142 822		142 822	0.01
Burkina Faso[a,d]	8 400			170 000	178 400	0.01
Burundi[a,d]			6 634 669		6 634 669	0.47
Cambodia[a]		985 005		42 000	1 027 005	0.07
Cameroon[c,d]			347	47 000	47 347	0.00
Canada	425 512	12 265 112	1 013 009	317 624	14 021 257	1.00
Central African Republic[a,d]			272 009		272 009	0.02
Chile[c]		193 000		2 353 450	2 546 450	0.18
China[c]	535 945	53 395	277 426	219 704	1 086 470	0.08
Colombia[c]				19 750	19 750	0.00
Congo, Democratic Republic of the[a,d]			45 191 175		45 191 175	3.23
Côte d' Ivoire[c,d]			9 826 374	7 644	9 834 017	0.70
Croatia[b]			274 449		274 449	0.02
Cuba[c]				17 499	17 499	0.00
Cyprus[c]			29 764 887	120 110	29 884 997	2.13
Czech Republic[b]	729 172	12 002 358	506 257	1 623	13 239 410	0.95
Democratic People's Republic of Korea[c]			30 133		30 133	0.00
Denmark	1 624 093	12 475 931	9 338 670	1 021 911	24 460 605	1.75
Djibouti[a,d]			62 676		62 676	0.00

Country or area	Procurement Service: Headquarters	Procurement Service: Department of Peacekeeping Operations	Local peacekeeping missions	Offices away from Headquarters	Total	Percentage of total
Ecuador[c]	13 700			12 870	26 570	0.00
Egypt[c,d]	75 800	10 376 163	37 810	23 000	10 512 772	0.75
El Salvador[c]				720	720	0.00
Eritrea[a,d]			9 183 538		9 183 538	0.66
Estonia[b]		9 931 450			9 931 450	0.71
Ethiopia[a,d]		864 300	1 192 594	1 532 205	3 589 099	0.26
Fiji[c]				42 000	42 000	0.00
Finland	45 306	176 196	1 612 113	132 104	1 965 719	0.14
France	317 721	63 069 756	12 422 808	1 745 832	77 556 117	5.54
Georgia[b]			2 318 982		2 318 982	0.17
Germany	291 102	6 242 520	8 946 742	393 254	15 873 618	1.13
Ghana[c,d]	2 000		478 314	1 500	481 814	0.03
Greece	168 603		30 472		199 075	0.01
Guatemala[c]			725 075	1 850	726 925	0.05
Guinea[a,d]			71 907		71 907	0.01
Haiti[a]			8 187 069		8 187 069	0.58
Honduras[c]				5 130	5 130	0.00
Hungary[b]			17 280	13 318	30 597	0.00
Iceland				10 000	10 000	0.00
India[c]	1 057 820	11 764 297	2 369 908	526 514	15 718 539	1.12
Indonesia[c]			52 414	12 330	64 744	0.00
Iran[c]			34 000		34 000	0.00
Iraq[c]			169 500	1 375 695	1 545 196	0.11
Ireland	32 930	15 309 232	223 626	418 687	15 984 475	1.14
Israel		2 186 638	7 194 468	7 944	9 389 050	0.67
Italy	122 878	27 610 727	40 120 471	576 184	68 430 260	4.89
Japan	13 868	44 316 213	2 603 262	167 385	47 100 728	3.36
Jordan[c]		24 864 851	116 558	27 600	25 009 009	1.79
Kenya[c,d]	2 000		1 432 620	12 641 184	14 075 803	1.01
Korea, Republic of[c]	84 796	2 568 091	769 267	252 000	3 674 154	0.26
Kuwait[c]			278 775		278 775	0.02
Kyrgyzstan[b]				29 000	29 000	0.00
Lebanon[c]	29 031		7 945 977	2 405 725	10 380 733	0.74
Liberia[a,d]			29 630 292		29 630 292	2.12
Libyan Arab Jamahiriya[c,d]			8 380		8 380	0.00
Lithuania[b]				252 474	252 474	0.02
Luxembourg			7 319		7 319	0.00
Macedonia, Former Yugoslav Republic of[b]			1 727 435		1 727 435	0.12

Country or area	Procurement Service: Headquarters	Procurement Service: Department of Peacekeeping Operations	Local peacekeeping missions	Offices away from Headquarters	Total	Percentage of total
Madagascar[a,d]				22 240	22 240	0.00
Malaysia[c]			51 876		51 876	0.00
Mali[a,d]	28 584				28 584	0.00
Malta				107 952	107 952	0.01
Mexico[c]	88 000		6 000	271 210	365 210	0.03
Moldova, Republic of[b]		2 022 835	29 394		2 052 229	0.15
Monaco		1 935 199	45 169 190		47 104 390	3.36
Morocco[c,d]	15 360		3 625 886	13 313	3 654 559	0.26
Namibia[c,d]		1 452 300			1 452 300	0.10
Netherlands	225 591	3 039 040	7 088 558	752 887	11 106 076	0.79
New Zealand	157 100	2 251 098	1 216 139		3 624 337	0.26
Nicaragua[c]	13 100				13 100	0.00
Nigeria[c,d]	888 245	2 637 448		22 390	3 548 083	0.25
Norway		2 655 214	948 028	234 703	3 837 945	0.27
Occupied Palestinian Territory[c]			113 264	10 000	123 264	0.01
Oman[c]			133 834		133 834	0.01
Pakistan[c]			497 541		497 541	0.04
Papua New Guinea[c]				1 500	1 500	0.00
Paraguay[c]				690	690	0.00
Peru[c]	6 000			46 110	52 110	0.00
Philippines[c]				51 310	51 310	0.00
Poland[b]			6 389		6 389	0.00
Portugal		2 019 200		13 399	2 032 599	0.15
Russia[b]	1 736 440	137 808 136	452 551	136 668	140 133 796	10.01
Rwanda[a,d]			500 197		500 197	0.04
Saint Kitts and Nevis[c]				300	300	0.00
San Marino			36 553		36 553	0.00
Saudi Arabia[c]			34 846		34 846	0.00
Senegal[a,d]	105 000			39 800	144 800	0.01
Serbia and Montenegro[b]			4 981 908		4 981 908	0.36
Sierra Leone[a,d]			15 883 568		15 883 568	1.13
Singapore[c]	8 600	971 950	2 071 038	13 970	3 065 558	0.22
Slovakia[b]		96 500	44 175	19 279	159 954	0.01
Slovenia[b]			103 487		103 487	0.01
Somalia[a,d]				360 282	360 282	0.03
South Africa[c,d]	352 599	29 604 821	6 375 142	418 211	36 750 773	2.63
Spain		346 774	567 957	309 958	1 224 689	0.09
Sudan[a,d]			3 820 750		3 820 750	0.27

Country or area	Procurement Service: Headquarters	Procurement Service: Department of Peacekeeping Operations	Procurement Service: Local peacekeeping missions	Offices away from Headquarters	Total	Percentage of total
Sweden	31 976	2 525 453	1 140 705	248 528	3 946 662	0.28
Switzerland	436 550	1 907 120	114 871	30 400 335	32 858 876	2.35
Syrian Arab Republic[c]			4 867 043		4 867 043	0.35
Tajikistan[b]		898 835	42 928		941 763	0.07
Tanzania, United Republic of[c,d]			450 851	47 920	498 771	0.04
Thailand[c]	46 491	10 630 317	32 212	8 116 426	18 825 446	1.34
Timor-Leste[c]			5 572 504		5 572 504	0.40
Trinidad and Tobago[c]				430 030	430 030	0.03
Tunisia[c,d]				41 593	41 593	0.00
Turkey[c]		201 590	653 885	76 942	932 417	0.07
Uganda[a,d]	157 992		20 295 018	235 762	20 688 772	1.48
Ukraine[b]		26 102 399	12 645	19 610	26 134 653	1.87
United Arab Emirates[c]		34 649	4 562 241	403 318	5 000 207	0.36
United Kingdom	880 662	67 686 446	14 271 490	4 161 673	87 000 272	6.21
United States of America	182 420 238	71 184 800	62 257 340	9 965 161	325 827 538	23.27
Uruguay[c]				3 590	3 590	0.00
Venezuela[c]	25 000				25 000	0.00
Vietnam[c]	47 500			2 308	49 808	0.00
Yugoslavia[b]		924 996			924 996	0.07
Zambia[a,d]	4 000				4 000	0.00
Total	**193 655 561**	**655 168 508**	**461 741 030**	**89 349 567**	**1 399 914 665**	**100.00**
Total number of purchase orders	**2 016**	**2 309**	**14 190**			
Africa	1 639 980	68 825 283	155 159 525	15 624 043	241 248 831	17.23
Developing countries or area	3 428 774	95 352 872	83 650 139	30 117 152	212 548 937	15.18
Least developed countries	303 976	25 739 556	143 317 212	2 422 387	171 783 131	12.27
Economies in transition	2 465 612	189 787 509	10 681 164	479 172	203 413 458	14.53
	6 198 362	**310 879 936**	**237 648 516**	**33 018 712**	**587 745 526**	**41.98**
Industralized countries	187 457 199	344 288 571	224 092 514	56 330 855	812 169 139	58.02

[a] Least developed country.
[b] Economy in transition.
[c] Developing country or area.
[d] African country.

NB:

(1) With respect to procurement statistics on supply sources, it should be underlined that country of supply with respect to goods is determined on the basis of the location of the supplier whereas in the case of services, it is determined on the basis of the location of the firm's headquarters.

(2) Country assignments are based on the location of the supplier offering the goods and not based on the country where the goods are actually produced (for more information on rules of origin, see the World Trade Organization website <www.wto.org >). Goods made in country A but sold to the United Nations by a company based in country B are attributed to country B. In this respect, it should be noted that in 2004, $30.3 million in airline expenditures were attributed to the United States of America. A major part of those costs were ultimately remitted to non-United States carriers. Those payments are ticketed through United Nations travel agency and freight is charged through the freight forwarder based in New York.

Annex III

Country procurement value by Procurement Service, local peacekeeping missions, and offices away from Headquarters, 2005

Country area	Procurement Service: Headquarters	Procurement Service: Department of Peacekeeping Operations	Local peacekeeping missions	Offices away from Headquarters	Total	Percentage of total
Afghanistan[a]			2 005 450		2 005 450	0.11
Albania[b]			18 577	2 888	21 465	0.00
Algeria[c,d]			205 225		205 225	0.01
Angola[a,d]		14 869 540			14 869 540	0.84
Argentina[c]	12 000			10 090	22 090	0.00
Australia	6 500	950 576	1 684 040	115 824	2 756 939	0.16
Austria	30 781	3 934 363	1 624 979	6 268 474	11 858 597	0.67
Bahrain[c]			23 126	435 246	458 372	0.03
Belgium	135 681	224 113	1 477 042	804 845	2 641 681	0.15
Bolivia[c]				10 668	10 668	0.00
Brazil[c]				16 251	16 251	0.00
Bulgaria[b]	1 600 000	7 610 384		19 500	9 229 884	0.52
Burundi[a,d]			18 725 447		18 725 447	1.06
Cambodia[a]	19 000			3 500	22 500	0.00
Cameroon[c,d]				151 115	151 115	0.01
Canada	737 396	19 751 996	32 884 588	146 785	53 520 765	3.02
Central African Republic[a,d]			337 736		337 736	0.02
Chad[a,d]				7 771 626	7 771 626	0.44
Chile[c]				2 709 128	2 709 128	0.15
China[c]	386 448	80 386	387 097	853 636	1 707 567	0.10
Colombia[c]				13 884	13 884	0.00
Congo, Democratic Republic of the[a,d]			71 291 629	21 750	71 313 379	4.02
Costa Rica[c]				25 790	25 790	0.00
Côte d' Ivoire[c,d]			26 501 919		26 501 919	1.49
Croatia[b]			110 598	2 160	112 758	0.01
Cuba[c]				3 140	3 140	0.00
Cyprus[c]			53 843 304	175 723	54 019 027	3.05
Czech Republic[b]	614 286	5 165 708	1 146 369	3 459	6 929 821	0.39
Democratic People's Republic of Korea[c]				3 534	3 534	0.00
Denmark	1 111 501	10 791 406	18 195 701	3 524 781	33 623 388	1.90
Djibouti[a,d]			- 10 694		- 10 694	0.00
Dominican Republic[c]			460 513	6 560	467 073	0.03
Ecuador[c]				4 610	4 610	0.00
Egypt[c,d]	84 050	2 114 500	66 080	364 772	2 629 402	0.15

Country area	Procurement Service: Headquarters	Procurement Service: Department of Peacekeeping Operations	Procurement Service: Local peacekeeping missions	Procurement Service: Offices away from Headquarters	Total	Percentage of total
El Salvador[c]				16 110	16 110	0.00
Eritrea[a,d]			8 349 214		8 349 214	0.47
Estonia[b]		6 926 473			6 926 473	0.39
Ethiopia[a,d]		6 086 868	1 064 369	1 662 628	8 813 865	0.50
Fiji[c]				54 813	54 813	0.00
Finland		933 479	920 588	109 341	1 963 408	0.11
France	365 145	42 827 521	19 548 277	4 615 132	67 356 076	3.80
Gambia[a,d]	5 000				5 000	0.00
Georgia[b]			2 233 674		2 233 674	0.13
Germany	156 161	26 983 227	19 712 871	2 256 205	49 108 463	2.77
Ghana[c,d]			1 793 044	36 900	1 829 944	0.10
Gibraltar			45 120	18 815	63 935	0.00
Greece			174 493		174 493	0.01
Guatemala[c]			16 304	2 770	19 074	0.00
Guinea[a,d]			13 560		13 560	0.00
Haiti[a]			36 760 637	6 880	36 767 517	2.07
Honduras[c]				5 230	5 230	0.00
Hungary[b]		7 523	40 430	54 246	102 199	0.01
India[c]	444 755	7 461 307	3 134 980	224 381	11 265 422	0.64
Indonesia[c]	8 000		1 390		9 390	0.00
Iran[c]			- 6 517	6 000	-517	0.00
Iraq[c]			3 951 697	15 305 815	19 257 512	1.09
Ireland		30 341 182	399 561	470 492	31 211 235	1.76
Israel	119 142	1 198 166	9 994 293	771 760	12 083 361	0.68
Italy	26 130	13 438 936	73 573 623	1 581 959	88 620 647	5.00
Jamaica[c]	46 986				46 986	0.00
Japan	2 964 982	41 690 749	6 611 529	503 524	51 770 784	2.92
Jordan[c]		38 882 598	1 703 712	43 611	40 629 921	2.29
Kazakhstan[b]	18 000				18 000	0.00
Kenya[c,d]			3 293 583	15 985 838	19 279 421	1.09
Korea, Republic of[c]		665 540	2 336 377	220 000	3 221 917	0.18
Kuwait[c]			2 349 398	125	2 349 523	0.13
Kyrgyzstan[b]	18 100				18 100	0.00
Lao People's Democratic Republic[c]	19 250				19 250	0.00
Lebanon[c]			5 946 326	2 452 741	8 399 067	0.47
Liberia[a,d]			44 715 067		44 715 067	2.52
Libyan Arab Jamahiriya[c,d]			1 003 000		1 003 000	0.06
Lithuania[b]				10 582	10 582	0.00

Country area	Procurement Service: Headquarters	Procurement Service: Department of Peacekeeping Operations	Procurement Service: Local peacekeeping missions	Procurement Service: Offices away from Headquarters	Total	Percentage of total
Macedonia, Former Yugoslav Republic of[b]			6 594 608		6 594 608	0.37
Malaysia[c]			5 885	23 504	29 388	0.00
Malta				173 932	173 932	0.01
Mauritania[a,d]			26 785		26 785	0.00
Mexico[c]	91 072			681 492	772 563	0.04
Moldova, Republic of[b]		2 600 000	- 12 366		2 587 634	0.15
Monaco		732 620	66 313 331		67 045 951	3.78
Morocco[c,d]	17 500		4 523 072	27 640	4 568 212	0.26
Mozambique[a,d]		129 600			129 600	0.01
Myanmar[a]	19 660				19 660	0.00
Namibia[c,d]		47 750			47 750	0.00
Nepal[a]				8 772	8 772	0.00
Netherlands	526 955	2 131 212	12 561 846	1 004 109	16 224 122	0.91
New Caledonia[c]				26 660	26 660	0.00
New Zealand		578 799	5 108 482	21 432	5 708 713	0.32
Nicaragua[c]	17 000				17 000	0.00
Nigeria[c,d]	666 183	946 996	222 449	30 730	1 866 358	0.11
Norway		1 435 008	3 273 861	1 412 634	6 121 504	0.35
Occupied Palestinian Territory[c]			239 020	3 989	243 009	0.01
Oman[c]			564 511	55 984	620 495	0.03
Pakistan[c]		1 833 095	545 866		2 378 961	0.13
Panama[c]				1 500	1 500	0.00
Paraguay[c]				780	780	0.00
Peru[c]				4 620	4 620	0.00
Philippines[c]			4 347	37 840	42 187	0.00
Poland[b]			3 290	21 500	24 790	0.00
Portugal			6 567		6 567	0.00
Romania[b]				820	820	0.00
Russia[b]	306 393	124 532 174	227 948	66 724	125 133 239	7.05
Rwanda[a,d]			2 333 052		2 333 052	0.13
Senegal[a,d]			12 502		12 502	0.00
Serbia and Montenegro[b]			3 390 262		3 390 262	0.19
Sierra Leone[a,d]			7 719 848		7 719 848	0.44
Singapore[c]		186 905	1 483 174	290 153	1 960 232	0.11
Slovakia[b]		130 500		88 354	218 854	0.01
Slovenia[b]			14 150		14 150	0.00
Somalia[a,d]				244 983	244 983	0.01
South Africa[c,d]		40 922 185	5 557 672	744 017	47 223 874	2.66
Spain	907	3 374 599	755 089	162 898	4 293 493	0.24
Sri Lanka[c]				28 000	28 000	0.00
Sudan[a,d]			57 711 131		57 711 131	3.25
Sweden	39 856	4 878 690	2 112 824	1 857 308	8 888 677	0.50

Country area	Procurement Service: Headquarters	Procurement Service: Department of Peacekeeping Operations	Procurement Service: Local peacekeeping missions	Procurement Service: Offices away from Headquarters	Total	Percentage of total
Switzerland	1 053 860	5 032 925	579 715	44 316 064	50 982 564	2.87
Syrian Arab Republic[c]			4 028 190	72 857	4 101 048	0.23
Tajikistan[b]	15 740	142 832			158 572	0.01
Tanzania, United Republic of[c,d]	93 273		100 787	3 670	197 730	0.01
Thailand[c]	19 780	20 008 597	93 856	11 863 243	31 985 476	1.80
Timor-Leste[c]			5 687 192		5 687 192	0.32
Trinidad and Tobago[c]				443 100	443 100	0.02
Turkey[c]	5 000	624 048	1 234 838		1 863 886	0.11
Turkmenistan[b]	15 850				15 850	0.00
Uganda[a,d]	249 817		5 988 132	99 213	6 337 162	0.36
Ukraine[b]		24 534 148	- 12 428		24 521 721	1.38
United Arab Emirates[c]		249 792	12 774 700	832 294	13 856 786	0.78
United Kingdom	2 545 598	28 370 958	35 478 200	11 546 958	77 941 714	4.39
United States of America	166 493 086	54 884 646	109 661 474	7 771 257	338 810 462	19.10
Uruguay[c]				43 461	43 461	0.00
Venezuela[c]				110 524	110 524	0.01
Vietnam[c]	19 200			11 450	30 650	0.00
Yugoslavia[b]				36 175	36 175	0.00
Total	**181 126 021**	**601 244 621**	**837 573 189**	**154 056 277**	**1 774 000 108**	**100.00**
Total number of purchase orders	**2 198**	**2 093**	**17 886**			
Africa	1 115 824	65 117 439	261 544 611	27 144 881	354 922 755	20.01
Developing countries or area	1 930 496	114 023 699	144 076 118	54 475 988	314 506 301	17.73
Least developed countries	293 477	21 086 008	257 043 866	9 819 352	288 242 704	16.25
Economies in transition	2 588 369	171 649 743	13 755 112	306 409	188 299 632	10.61
	4 812 342	**306 759 451**	**414 875 095**	**64 601 749**	**791 048 637**	**44.59**
Industralized countries	176 313 679	294 485 170	422 698 094	89 454 529	982 951 472	55.41

[a] Least developed country.
[b] Economy in transition.
[c] Developing country or area.
[d] African country.

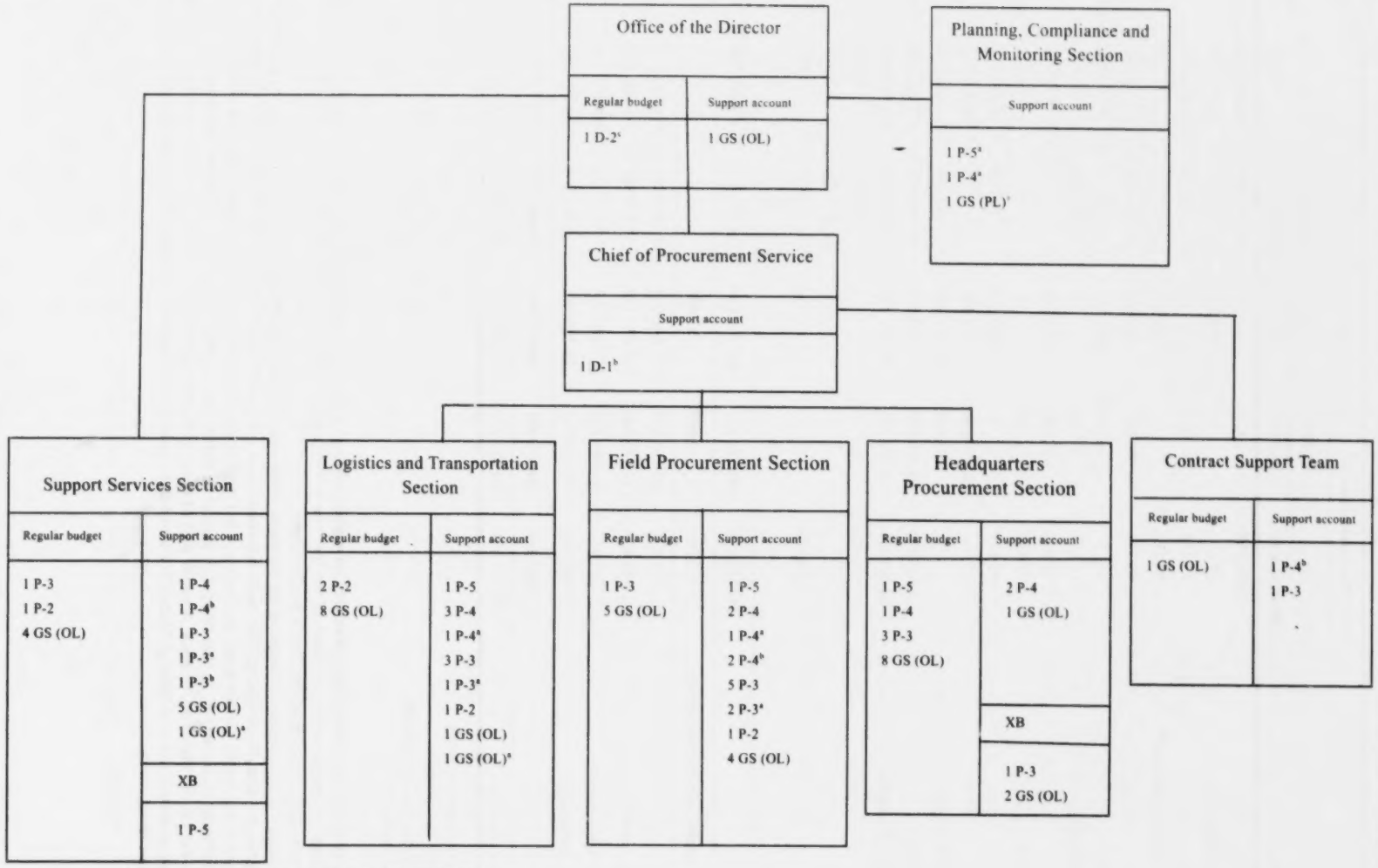
NB:

(1) With respect to procurement statistics on supply sources, it should be underlined that country of supply with respect to goods is determined on the basis of the location of the supplier whereas in the case of services, it is determined on the basis of the location of the firm's headquarters.

(2) Country assignments are based on the location of the supplier offering the goods and not based on the country where the goods are actually produced (for more information on rules of origin, please see the World Trade Organization website <www.wto.org>). Goods made in country A but sold to the United Nations by a company based in country B are attributed to country B. In that respect, it should be noted that in 2005, $34 million in airline expenditures were attributed to the United States of America. A major part of those costs were ultimately remitted to non-United States carriers. Those payments are ticketed through United Nations travel agency and freight is charged through the freight forwarder based in New York.

Annex IV

Procurement Service organizational chart



[a] Proposed in support account budget (A/60/727).
[b] Additional post proposed in the present report.
[c] Reclassification proposed in the present report.